

Rural marketing strategies-for fmcg

Business



RURAL MARKETING STRATEGIES-WITH REFERENCE TO FMCG It's not only the grass is greener in the country side, that's also where a chunk of corporate top line actually comes from. It's time to tap the rural gold mine. The Hindu Business Line Abstract: Rural marketing is the much talked subject for the business establishment.

A decade ago rural market was seem to be unstructured and this was not found to be a target location of the corporate. This is due to the hurdles such as illiteracy, lack of technology and other factors leading to the poor reach of products.

But now “ Go Rural” is the slogan of marketing gurus after analyzing the socio economic changes in villages. With the changing marketing scenario, the corporate marketing strategies need to be reshaped in order to have an increased awareness among consumers and the overall development in the rural sector. The 4 P's of rural marketing which is a hit in the cities might not work in the rural areas. To promote brands in rural markets require special dealings.

Consumers have graduated to branded products with increased affordability as a result of increasing rural income.

Rural market is one of the best opportunity for sector in India.. In this study the focusing is on the strategic issues of FMCG companies in rural marketing. Introduction: Nirma was the first FMCG Company which initiated and produced goods according to the rural consumers in 1970.

Nirma's entry changed the whole Indian FMCG scene. It became a great success story and laid the road map for others to follow. (Pravin Tripathi,

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2009) A number of companies in FMCG have adapted strategies to expand their base in rural market.

Among these that have made headway are Hindustan lever, coco cola , LG electronics, Britannia, Colgate Palmolive The ASSOCHAM study, which analyzed FMCG said the FMCG will be witnessing more than 50% of its growth in the rural and semi urban segments by 2010 and these markets presented a market size that is 3 times bigger than the urban market . The rural market has not been impacted by the global economic slow down, according to a recent study by Rural Marketing Association of India (RMAI) .

Rural areas are pushing the demand for the fast moving consumer goods on account of rising rural income and better penetration of FMCG companies in these areas. Penetration % Of Fmcg Goods in Rural Markets: (Source: HLL investor meets 2006) Category All India % Urban % Rural %| Deodorant 2. 1 5. 5 0. 6| Tooth paste 48. 6 74.

9 37. 6| Skin cream 22 31. 5 17. 8| Shampoo 38 52. 1 31.

9| Utensil cleaner 28 59. 9 14. 6| Instant coffee 6. 6 15. 5 2. 8| Washing powder 86.

1 90. 7 84. 1| Detergent soap 88. 6 91. 4 87. 4| Toilet soap 91.

5 97. 88. 9| Thus although the rural market may be alluring, tapping the vast potential calls for adopting the appropriate marketing mix strategies, making psychographic analysis to meet the challenges. Review of Literature: Mander Narsh, Dhumal Avishkar Tayade ; amp; Akita Khander in the article on “ Rural marketing and understanding the consumer behavior & Decision

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process says " Buying decision of the customers of different age occupation differs from rural to urban area. The rural marketing has shifted its promotional mix strategies from conventional methods to mass media ; amp; T.

V advertisement.

The perception of improved social status due to the use of branded product is also one of the major influences on the buying process. Sandip Anand, Rajneesh Krishna in their article, " Rural brand preference- determinants in India" clearly discusses that if any FMCG brand (National or global) has to get established in rural markets of India, they have to differentiate on quality, value for money and sense of belongingness with customers.

Objectives: * To analyze the challenges of marketing mix in the rural context.

* To analyze the strategies to meet the challenges of 4 A's. Availability,

Acceptability, Affordability and Awareness) Demand for Fmcg in Rural Areas:

After years of growth primarily from the urban markets, the FMCG companies have now realized that India lies in its rural villages.

So much so that rural marketing has become the latest marketing mantra of most FMCG majors. (Rana, 2010). With higher disposable income in urban house holds and a significant portion of budget allocation towards the development of rural sector and rural employment, the FMCG sector has a lot to gain from the union budget 2010-11.

The Finance minister has outlined several proposals to boost agriculture growth and to have better access to rural areas through an improved road network which will enhance the distribution system of FMCG players. These

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proposals are likely to keep the FMCG sector buoyant in the current year. The union budget also provides various schemes for rural development which will improve the living standards in the rural areas.

Employment guarantee schemes will help provide an additional source of income to the rural youth there by increasing the spending ability.

(Equitymaster. com)

Since there is a significant rise in the brand awareness among the rural people, they have become choosier and demanding than ever before. In fact if we look at the shopping basket of the rural people, expenditure on consumer goods is approximately 44% on food products such as biscuit, tea coffee and salt, 20% on toiletries, 13% on washing material, 10 % on cosmetics, 4% on OTC products and 9% on other consumables. Business standard in its article ‘ Rural marketing strategies’ says FMCG companies strategize to extract more from rural segments. For Marico, 25 % of it sales come from rural India.

Milind Sarwate, head of human resource and strategy says, we have been making products primarily for urban India . But rural India has given the industry much to cheer about. (Business Standard, May, 2010) Godrej Consumer Products (GCPL) has seen rural sales grow by 40 per cent in the past six months, double of that in urban areas. H K Press, vice-chairman, said: “ Currently, rural sales make up around 38 per cent of its turnover. We intend increasing it to 50 per cent within a year.

Dabur India’s vice chairman Amit Burman said, “ Sales in rural India continue to grow at a fast pace.

Rural and semi-urban India account for almost 50 per cent of our domestic sales. . (Business Standard, May, 2010) Hindustan Unilever (HUL) and ITC, too, have robust rural initiatives such as Project Shakti and e-choupals respectively. “ HUL has the highest sales mix coming from rural India.

Its key category, soaps and detergents, is facing intense competitive pressure in rural markets,” states a Reliance Equities report. we do believe that sales in rural India will expand, as more and more people begin using recognized brands, shift from toothpowder to toothpaste or from loose to packaged hair oil (be it from local or national players)”. Business Standard, May, 2010) Sumeet Vohra, marketing director, P& G India says that the company’s Endeavour has always been to not only improve lives but also continue to touch as many more lives as possible. “ Ours is a consumption driven economy and we are cognizant of the importance of the growing rural segment in that context,” says Vohra, adding P& G is constantly evaluating growth opportunities not just in this segment, but across India and will use the right brand portfolio and marketing techniques to do so. Challenges of Rural Marketing:

Though rural market is a huge attraction to marketers, it is not easy to enter the market and take a sizeable share of the market in the short time due to the following reasons. * Large and scattered market * Diverse socio economic backwardness.

* Prevalence of Many Languages and dialects. * Problems related to distribution and channel management.. * Low standard of living because of low literacy, low per capita income, social backwardness, low savings etc. *

Traditional outlook as the rural customers values old customs and traditions. They do not prefer changes.

Inadequate infrastructure facilities like roads, ware houses, communication system, financial facilities. * Lack of proper physical communication facilities as the villagers do not have all weather roads and they became in accessible during the monsoon. * Different way of thinking- as there is vast difference in the life style of the population. * Inconsistent demand as to the spending power of the rural population fluctuates with the agri yield. * Prevalence of spurious brands and seasonal demand as for any branded products, there are a multitude of local “ variants’ which are cheap and there fore more desirable to villagers.

It is estimated that FMCG companies lost more than Rs.

10, 000 crores to spurious products mostly sold through local haats and bazaars. (R. V. Rajan, 2006) Dr. Gomathi Vishwanathan in her article ‘ Challenges in rural marketing ‘ said, Life in rural areas is still governed by customs and traditions and people do not easily adopt new practices.

(e. g.) The rich and the educated classes of the farmers do not wear jeans or branded shoes. Greater challenges lie in terms of the vast differences in rural areas which severely limit the marketer’s ability to segment target and position his offerings.

The other challenges include level of awareness of brands is much lower. The second is availability.

Against 5000 odd towns locations in urban, there are 6 lac village locations in rural where distribution is a nightmare. Affordability is lower in rural as per capita income in rural are less than half of what they are in urban.

Acceptability and usage is also a problem with some products. (Pradeep kashyap) Rural Marketing Strategies: The choice of strategy depends on the organizations ability to meet the consumers need effectively.

This requires delivering values to the consumers by developing suitable products at a price they are willing to pay and at a place where they can conveniently purchase the products.

The basic marketing mix tools remain the same both in rural and urban markets. But it is the challenges of the 4 A's that compel the marketer to revisit the marketing tools when he ventures into rural markets. Availability: The greatest problem in the rural market is to reach the customer or retailer. Given the poor state of roads, it is an even greater challenge to regularly reach products to the far flung villages.

Marketers must trade off the distribution cost with incremental market penetration. The distribution strategy that are specifically designed for rural areas are through cooperative societies, PDS, multi purpose distribution centre, distribution up to feeder markets/ mandi towns/haats/jathras/melas etc.

Since TV has raised the aspirations of the rural customer to make him demand for the product from the local shopkeeper, who in turn buys from the feeder market, hence distribution up to the feeder market and Mandi is essential. (Anuridh, 2008).

Product availability has to be ensured in all feeder and mandi towns from where village retailers come to buy their stocks. Few companies like HUL and Colgate have ensured direct availability to villages. * HUL appointed 46, 000 micro finance women as dealers under project shakthi.

* Colgate has created the bicycle entrepreneur model where youth sell to retailers in villages and to consumers in haats. Both models were created by MART. Affordability: The second challenge is to ensure the affordability of the product or service. With low disposable income products need to be affordable to the rural consumer most of whom are on daily wages. The pricing strategies may include: * Low cost/ value for money product * Cutting the cost by avoiding sophisticated packaging. * Low volume-Low price.

* Overall efficiency and passing on benefits to consumers. * By giving refill packaging, marketers can add value pricing for the product. * Application of value engineering – lowering the input cost by using alternative material for raw material and packing materials. (www. world-agriculture. com) Some companies have addressed the affordability problem by introducing small packs.

HLL has launched its target selling soap brand life buoy at Rs. 2 for 50g. *

Coco Cola has introduced sunfill a powdered soft drink concentrate in a sachet of 25g priced at Rs. 2. * Britannia launched Tiger biscuit at Rs.

1, Rs 2 and Rs. 4 price points. * Pepsi& Coke had restructured their pack size to suit for 200ml which cost Rs. 5 to target the overall population. * Tata tea has introduced Samunder salt in the economy category. Acceptability: The third challenge is to gain acceptability for the product or service.

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Products should be built or modified to suit the life style and needs of the rural consumers.

To ensure acceptability companies try and understand the usage habits and the ecosystem to ensure that product design is relevant for rural use. Innovation is the key. Rural markets are different in terms of needs, utility, spending power and purchase. The manufacturing and marketing men can think in terms of new product design specially meant for rural areas keeping the life style in view.

* Cadbury launched chocobix, a chocolate flavored biscuit based on the consumer insight that rural mother's opt for the more affordable biscuits rather than the more expensive chocolate bar for the children. LG in 1998 developed a customized TV model for rural market and christened it as " Sampoorna. " Awareness: This aspect always a create a challenge in rural markets because of the fact that villages have thin population density and are widely spread over large remote areas. The above issues are addressed by companies in many ways. Due to low penetration of electronic and print media in rural, * Awareness creation has to be done using unconventional media such as haats, mandis and melas. * By promoting products with Indian models ; amp; actors By adopting proper communication with regional languages.

* Nirma uses radio, posters, banners and mobile vans among others as better media options. * Dabur organizes a beauty and talent contest to target rural and semi urban market for its beauty products. * A study by Marico showed a 25% conversion from loose coconut oil buyers into

parachute pouch customers by launching a post van campaign, which focused on getting women out of their homes to participate in the van campaign which is aimed exclusively for them. Brooke bond Lipton (BBLIL) markets its rural brands through major shows and skits. Reckitt and Coleman use NGO” s in rural areas to educate customers about product benefits which establishes one to one communication channels. (B.

Balady) * Colgate –Palmolive adopted Project Jagruthi” as a rural penetration strategy which was a village consumer contact programme in 2001 which increased the penetration to a million houses. * Coke, Pepsi and Tata traders advertise their products through paintings.

The other strategies include * By hiring local talents:-They have the ability to deal with local dealers which can boost rural sales. * Opinion leaders:- The Health Development assistant of HUL regularly meets school teacher to promote life buoy soap in villages * Product display contest”:- The main purpose is to remain the customer to buy the product as soon as he enters the shop. This method also influences the dealer to stock the product and support the company in the sale.

Prize for best displays are announced to motivate the dealers.

(pakistanmba jimdo. com) * Enhancing brand strategies with social perspectives:- -Soaps for hygiene -Cooking gas for environment -Creating need by more awareness. Conclusion: To sum up broadly, it can easily be seen that the winds of change are blowing up and transforming the rural market appreciably. In the coming years, companies should not fight for a share of the limited rural pie.

The rural population is gradually getting urbanized and has a great potential and improving purchasing power.

The 4 A's has to be effectively adopted in order to capture the untapped potential of the rural consumers Bibliography: * Dr. S. L. Gupta. , Rural Marketing-Text and Cases Wisdom Publications * S. Neelamegham," Marketing in India, Cases and Reading, Vikas Publishing House Pvt.

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