

# Buying behaviour for fast moving consumer goods marketing essay



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India is a land of diversities. It compares' several diverse culture, customs, traditions, practices, languages and beliefs. Nowadays rural India has changed its face because of lifestyle, habits, tastes, literacy level and economic status. Development of infrastructure facilities like roads, electricity has improved the standard of living of rural areas. The rural markets are growing at about two times faster than urban markets. For many companies rural market contributed almost 50% of their total sales revenue. Companies have well realised that if growth is the only option. Rural market is the only way to grow ahead. Therefore “ Go Rural” is the slogan of the marketing gurus after analysing the socio-economic changes in village.

India is one of the fastest growing markets of the world. The potential not only lies in the urban India but in rural India also. The study has been carried-out to differentiate the buying behaviour of rural consumers from that of urban consumers. Fast moving consumer goods have been selected for the study. Overall no significant differences could be observed between rural and urban consumers in terms of their timing of purchase and buying the same brand of other non-durable number of items and duration of planning before buying. Habitat (rural & urban) has a relation with income for the timing of buying soap, detergent, toothpaste, hair oil, shampoo.

Thus marketers need to understand the consumer behaviour of the rural and urban market and then design marketing programmes in which they need to associate with the lifestyle of the rural and urban people. They need to be addressed in their language by their own hero and associate the brand with

the celebrations, festivals, meals, and other cultural activities for satisfaction of consumer needs.

FMCG's refers to consumer non-durables goods which is required daily and frequently. These goods have wide range of products such as detergents, toilet soap, toothpaste, shampoos, face creams, food products etc.

Individually, FMCG's are of small value, but when they put together, they contribute significant; they contribute significant part of customer's monthly budget.

Key Words: – Rural and Urban consumer buying behaviour, brand awareness, needs, income, family size, satisfaction.

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### **Introduction:-**

With the presence of 12.2% of the world population in the villages of India, the

Indian rural FMCG market is something no one can overlook. Increased focus on farm

sector will boost rural incomes, hence providing better growth prospects to the FMCG

sector. Better infrastructure facilities will improve their supply chain. FMCG sector is

Also likely to benefit from growing demand in the market. Because of the low per capita

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Consumption for almost all the products in the country, FMCG companies have immense

Possibilities for growth. And if the companies are able to change the mindset of the

Consumers, i. e. if they are able to take the consumers to branded products and offer new

Generation products, they would be able to generate higher growth in the near future. It is

Expected that the rural income will rise in 2010, boosting purchasing power in the

Countryside. However, the demand in urban areas would be the key growth driver over

The long term. Also, increase in the urban population, along with increase in income

Levels and the availability of new categories, would help the urban areas maintain their

Position in terms of consumption. 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, and hot beverages. In urban areas, home and personal care

Category, including skin care, household care and feminine hygiene, will keep growing at

Relatively attractive rates. Within the foods segment, it is estimated that processed foods,

Bakery and dairy are long-term growth categories in both rural and urban areas. At

Present 53 per cent of all FMCGs and 59 per cent of all consumer durables are being sold

In rural India. The biggest FMCG Company in India HLL derives more than half of its

Rs. 12, 000 crore revenues from the rural markets. The rural market is an enigma for the

Companies. Due to the lack of deeper insights into the psyche of the rural consumers,

Companies are hesitant to explore this territory. But local brands, like “ Ghadi” detergent

In Kanpur, have been able to successfully tap the opportunities presented by rural market.

The rural markets are growing with speed and steady compared to the urban

Markets which are attaining a point of saturation. As once the market reaches the height

one or the other day it would tend to decline.

the knowledge of the different brands for the products considered is not less in the rural areas. In the contrary the rural folk are aware about more number of brands of products. In case of purchasing decisions the rural folk might have compromised with quality of the product (which was not in the purview of this study) but not with the number of varieties of the products in most cases

### **Brand awareness differences between rural and urban consumer:-**

### **Average Size of Different Sets of Brand Categorization Process of Customers in Rural and Urban Population for the Product Rice**

S. No

## **Sets of Products**

### **Rural**

### **Urban**

### **z-value**

### **p-value**

### **comments**

1

Awareness set

4. 24

4. 28

-0. 062

0. 475

The awareness set size of the urban customers for rice not differs significantly from that of rural customer

2.

Consideration set

1. 64

1. 92

-0. 904

0. 183

The consideration set size of the urban customers for rice not differs significantly from that urban customer

3.

Choice set

0. 80

1. 04

-2. 640

0. 004

The choice set of the urban customers for rice differs significantly from that of rural customers. This gives an indication that urban customers purchase more varieties of rice compared to the rural customers.

## **Average Size of Different Sets of Brand Categorization Process of Customers in Rural and Urban Population for the Product Salt**

S. no

Set of product

Rural

Urban



z-value

p-value

comments

1.

Awareness set

3.00

1.64

5.155

0.000

The size of the awareness set of the urban customers for salt differs significantly from the rural customers. This gives that rural customers have more aware about different brands of salt than the urban customer

2.

Consideration set

1.08

1.00

1.445

0.074

The size of the consideration set of urban customer not differs significantly from that rural customer

3.

Choice set

1. 08

1. 00

1. 445

0. 074

The size of choice set of urban customers does not differ significantly from their rural counterpart.

### **Average Size of Different Sets of Brand Categorization Process of Customers in Rural and Urban Population for the Product Edible Oil**

S . no

Set of products

Rural

Urban

z-value

P-value

comment

1.

Awareness set

4. 56

3. 12

3. 016

0. 001

The awareness set size of the rural customers differs significantly from that of urban customers. This result highlighted that rural customers have more aware of the brands of edible oil than the urban customer

2.

Consideration set

2. 08

1. 76

1. 299

0. 0968

The consideration set size of the urban customer not differs significantly from that rural customer

3.

Choice set

1. 56

1. 56

0. 00

1. 00

The choice set size of urban customers not differs significantly from the rural customers.

### **Average Size of Different Sets of Brand Categorization Process of Customers in Rural and Urban Population for the Product Tea**

**S . no**

**Set of products**

**Rural**

**Urban**

**z-value**

**p-value**

**comment**

1.

Awareness set

3. 04

3. 36

-0. 58

0. 28

The sizes of the awareness set between the urban customers and rural customers do not differ significantly

## **2.**

Consideration set

1. 16

1. 60

-1. 718

0. 042

There is a significant difference between rural and urban customers. It gives an indication that urban customers consider more brands of tea than rural customers.

## **3.**

Choice set

0. 80

0. 96

**-1. 309**

**0. 95**

The sizes of the choice set between urban and rural customers are not significantly different

## **FACTS ABOUT THE INDIAN RURAL MARKET**

The following facts are gathered from the

Analysis done by National Council for Applied

Economic Research (NCAER)

Rural India constitutes 70% of India's total population.

It accounts for 56% of national income.

It contributes to 1/3rd of India's total savings

It accounts for 64% of total expenditure.

Rural economy is estimated to reach a size of Rs 18 trillion by 2012-2013 as

Against as 12 trillion in 2007-2008.

6. Rural consumers share of total ownership of low cost items like bicycles,

Pressure cookers and watches during 1995-96 was 60%.

7. The share of rural India in the FMCG market is around 53% and is expected

To reach 60% in future.

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Inspite of the lower penetration and lower per capita purchase of consumer goods

By rural people when compared to that of urban Indians, marketers are attracted towards rural markets because of large population.

## **Consumer goods penetration in percentage:-**

### **Product categories**

#### **All-India %**

#### **Urban %**

#### **Rural %**

Toothpaste

48.6

74.9

37.6

Skin cream

22.0

31.5

17.8

Shampoo

38.0

52. 1

31. 9

Utensil

28. 0

59. 9

14. 6

Instant coffee

6. 6

15. 5

2. 8

Washing powder

86. 1

90. 7

84. 1

Detergent bar

88. 6

97. 4



## **87.4**

### **Comparative size of Rural and Urban Markets:-**

#### **Particulars**

#### **Urban**

#### **rural**

Population 2001-2002(million household)

53

135

Population 2009-10(million household)

69

153

% of all-India population

28

72

Market (no. Of towns & village)

3768

627000

**Initiatives taken by some companies:-**

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 great

Success story and laid the roadmap for others to follow. A number of companies in FMCG have

Adapted to expand their base in rural market. Among these, that have made headway are Hindustan Lever, Coca Cola, LG Electronics, Britannia, Colgate Palmolive.

“ Gaon Chalo” By Tata Tea: “ Gaon Chalo is a distinctive rural marketing initiative started in the year 2006 in the Uttar Pradesh by Tata tea. For penetrating the rural market, the company

Partnered with NGO with wide reach among the UP rural masses. The Gaon Chalo project has

Created employment opportunities to the youth villages and small towns. It has brought steady

Income to those who are distributors of Tata Tea. Tata tea consolidated market share from rural areas rose from 18% to 26.6%.

Dabur India Oil partnership: In order to tap India's rural market, Dabur India Ltd has tied up

Indian Oil Corporation. According to agreement between the two companies, IOC retail outlets all over the country will stock and sell Dabur's products consisting of healthcare, oral care,

Personal wash, skin care and home care products. This will help Dabur in reaching millions of rural customers.

The kisan Sewa Kendra is a one stop rural retail outlet of IOC, which offers fuel and non fuel

Products like fertilizers, grocery, tools used for cultivation, seeds, personal care products, and auto Spares etc. There are 1600 such IOC outlets across India.

### **Income distribution of Indian population in rural and urban areas:-**

Income distribution (source of MISH/NCAER)

Rural customers have upgraded their life styles and as results are purchasing lifestyle products like cosmetics, beverages, and mobile phones etc., which have become necessities for them. Urbanization has become more of lifestyle and is no longer bound to geographical areas.

### **Difference between Rural and Urban consumers:-**

There are number of differences of rural and urban consumer

Age and life cycle stage

Occupation

Economic situation

Life style

Personality and self concept

Psychological factors like perception, cognition, and motivation

Buying decision of the rural consumer of the different age, occupation differs from rural to urban areas. The areas is more bounded by the tradition, customs, and values which bring a gigantic change in the life style and personality of consumers of the rural areas in comparison to urban areas where people are more attracted towards the western culture. Low per capital incomes of the consumers in the rural areas restricts them for low consumption patterns as compared to urban population where the consumers are more brand conscious and are ready to pay high.

The major difference in rural and urban market, rural market is under developed and the consumers are also less aware about the new trend and brands as compared to the urban consumers. The mediums of the communication for rural is also different in comparison with the urban market . word of mouth, print media radio, puppetry, melas, and folk theaters are few to the medium of promotion where as television and print media advertisement are the leading source of promotion for urban market.

Several FMCG's companies such as Godrej, Consumer products, Dabur, Marico have increased their marketing efforts in rural India and small towns in order to establish a local distribution networks and increase visibility.

Rural melas are being organized by Godrej in order to access potential rural consumers.

Factor affecting Customer satisfaction: - The rise in consumers buying power and their awareness of the existence of the new generation customers are facing organization to identify ways of enhancing customer satisfaction

There are number of factor affecting customer satisfaction

The core product/services

Value adding feature

External factors

Personal factors

Future trends in consumer buying behavior:-some emerging future trends of buying behavior of Indian consumer

The new generation will prefer brands that are launched during their growing up years. They will not prefer brands that are very old in the market . this will make it easier for new brands to cement their place in the market and run successfully.

The new generation will posses more risk taking capability and their previous generations. They will be willing to try-out new careers, new ideas, and new ways of doing things.

Indian consumers will be logical in their thinking and foreign brands will not only consider as the standard of quality each brands be it Indian or foreign will be judged on merits

The middle and lower class consumer buying behavior will be changed and they may behave as if they are rich

The contribution of women in decision making will increase with growing number of nuclear families, educated and working women, the number of middle class working women will raise sharply. This will lead to introduction of women oriented products that may range from insurance products to vocational education

Tomorrows consumers will focus more on technology and credit purchase

Numbers of nuclear families are increasing.

Healthcare will become very importance in the coming years.

### **Objectives:-**

To understanding rural and urban consumer buying behavior towards FMCG's products

To understanding the satisfaction of rural and urban consumers.

To differentiate brand awareness from rural and urban consumers towards FMCG's products.

To differentiate income level from rural and urban consumers.

**Literature review:-**

Amit Singh Sisodiya and Kavitha Putta have focused on demand for FMCG's products in the urban areas and also rural areas. The FMCG's companies have begun to realize that they should adopt strategies such as innovation, distribution, and marketing to grab the rural market. The study also focused on the major drivers of FMCG's companies such as rising disposable income and purchasing power in rural areas.

N. Janardhan Rao has examined that the fast moving consumer goods sector has continued to show good momentum and it witnessed around 11-20% growth in sales and 10-15% rise in net profit in the year of 2007. It has witnessed a steady growth aided by a strong demand from rural markets. However, FMCG's are facing a stiff competition from unorganized, unbranded, unpackaged FMCG's players who are citing inability to absorb rising input costs and other inflationary pressures.

Umang Goel, Ankit Bajpai, Swati Chauhan and Pranay Verma are Changing in Rural Marketing through Information and Communication Technology. Major population of any country determines the success or failure of any brand of commodity or service, the importance of 'rural marketing' should not be underestimated. While growth in Education and infrastructure sectors have been impacting rural India over the years, the impact that Technology is going to have on Rural Marketing initiatives in the next few years is going to be tremendous. Technology is going to make a huge difference to the way we look at urban India. The process has started and in

**Conclusion:-**

As per discussion this is found that companies are making separate strategies for rural and urban consumer for selling fast moving consumer goods because there are number of differences between rural and urban consumers such as income level, awareness of the products, literacy levels. Rural consumers are not more loyal towards branded products but urban consumers are more loyal rather than rural consumers. Rural consumer can easily satisfy of the products. If the cost of the product is low. But urban consumers will satisfy quality and brand of the products. There is no mind cost of the products. Cost depends on the satisfaction of urban consumers.

Now, there is needed to invest the huge money and manpower for innovation and creation of new strategies for rural and urban consumers.