Review of Literature
Rural marketing has quite often been defined in a narrower sense to include only marketing of agricultural produce. But, today's scenario is different. Rural people with their increased disposable incomes could also be exposed to convenience goods which would significantly reduce the drudgery of rural life and result in improving their lifestyle. With the increased disposable income, the rural population also aspires to improve its lifestyle. At this stage, several researchers and marketing professionals took a broader view of rural marketing, a view that included marketing of consumables, consumer durables and services in addition to the traditional items under the earlier narrower definition of rural marketing.

2.1 CHARACTERISTICS OF INDIAN RURAL MARKETS

Indian rural retail markets are characterized by the following special features:

1. The low density of population and widely scattered villages make the problem of serving them difficult and even uneconomical. For instance, there are about 79% of the villages with a population less than 1000.

2. Lack of transport and communication facilities making the costs of delivery of goods to these widely scattered villages twice as much as serving the urban market. It is estimated that only 45% of the villages are accessible by roads.
3. Most of the villages do not have infrastructural facilities like warehousing, storage, banking, etc., which are essential for the development of markets.

4. The competition for consumer goods in rural areas is little. Consequently, traders and producers are under the impression that there is no need to strive for better marketing efficiency.

5. Most of the rural consumers purchase a part of their necessities on a daily basis from shops, peddlers or shandies through barter system of exchange.

6. Absence of marketing information is the main stumbling block either in understanding the existing dimensions, structure and operations of rural markets or suggesting for improved alternatives.

7. Most of the services like carpentry, black smithy, washing, pottery, etc., are rendered by village artisans in exchange of food grains at the time of harvests.

8. Regarding rural consumers, it is widely noticed that they walk over several miles to purchase their basic necessities like rice, salt, kerosene, oils, cloths, etc. on account of absence of transport facilities.

9. Their marketing habits, practices and buying behaviour are so primitive that they are unable to realize a fair value for the goods they purchase.
10. Rural consumers provide a wide range of contradictions and paradoxes which are baffling the most urban borne marketing people. 

11. It is difficult to motivate the rural consumers to change their lifestyle. They strongly believe that the best was in the past and that old is gold. 

12. There is a general distrust of the markets and therefore, they consider bargaining and comparative shopping as necessary techniques for buying. 

13. Rigid social and religious customs, climatic considerations and dual ownership due to prevalence of joint family system also influences the buying habits of the rural population. 

14. Seasonal buying is also one of the important habits of the rural consumers. 

15. Most of the rural consumers are illiterates, less mobile, ignorant with low purchasing power. 

These characteristics of rural India have resulted in limited capacity for consumption of goods and services when compared to consumption levels in any advanced country. This is the scenario of the Indian rural market a decade back. 

**Rural India:** 

From 2001-02 to 2006-07, the rural India's market size was expected to grow at 1.64% p.a. from 744 Mn to 807 Mn population. Here, the very rich segment was expected to grow at 11.84% p.a. from 2001-02
to 2006-07 which grew at 12.25%. There was an extraordinary growth seen in the coming years in the consuming class. The consuming class that grew at 3.79% p.a. from 1995-96 to 2001-02 was expected to grow at 11.93% p.a. from 2001-02 to 2006-07. The growth p.a. in the climber segments was dropping down to 3.6% p.a. in the second phase which grew at 7.37% p.a. in the first phase. In the aspirants and destitutes category, the growth rate was negative.

In toilet soap market HUL has 63% market share. This is the product segment where HUL has seen growth over last year (2005-06) but the growth is not as high as there is expansion in the market for toilet soaps. The cash cows for HUL include Lifebouy, Lux, Liril, Rexona and Breeze. The company’s premium soap includes Dove, Pears. The company has come up with a new product offering i.e. Fair & Lovely soap. The strategy for 2006-07 would be to increase the market share from existing 63% to 70%. The strategic changes taking 4 P’s into consideration would be:

**Product:** It would continue with the existing portfolio of the products and would concentrate on coming with new fragrances on different soaps than launching new soaps. It would position Dove and Lux International soap for very urban rich women who are extra conscious for their complexion. Pears, Lux International would be positioned for the urban and rural rich. For the consuming urban class, Liril, Rexona, Pears and Lifebouy International would be positioned. It would also come up with 40gm packaging for different products. It would also think on extending popular brands of cosmetics in the toilet soap segment and that decision would be
based on the popularity and acceptance of that particular brand (Brand Extension).

**Price:** It would be trying to customize the packaging of various products on the basis of price points. E.g., it will come up with the pricing of Rs 5, Rs 10 and Rs 15 for different products. It would try to experiment it with the products positioned for consuming class.

**Promotion:** For promotion, apart from continuing the existing strategy of concentrating on T.V. channels, it would try to focus on the promotional campaign in rural sector. It would also concentrate on promoting through radio and sponsoring the programs e.g. ‘Krishi Darshan’ and ‘Aap ka Swasthaya’ programs that have greater number of audience. The advertising for them would have a pastoral and cultural looks. It would chalk out the rural promotion scheme for those areas where the cable T.V. has not reached. Under this scheme it would try to include ‘Gram Panchayat’, ‘Swasthaya Parishad’ and other local bodies by offering knowledge for using good and anti-germ products.

**Place:** As the marketing channels of the company are already established, it would try to increase the penetration in the rural sector to the extreme remote areas that are not touched till now. It would try to reduce the delivery time of the products by choosing and increasing the strategic locations of warehouses. It would also track the distribution path of the wholesalers in small cities through marketing team and would establish a platform or team at a zonal level for all the wholesalers and it would try to take their feedback on the market developments.
In spite of the slowdown in rural demand, FMCG companies continue to focus on the rural markets in the hope of salvaging their sales turnover. Majors such as Godrej and HUL have deliberately introduced small pack sizes. Lifebuoy, HUL's largest selling soap brand, recently introduced a Rs 2 SKU of 18 gm targeted at the rural market while Godrej has also for the first time launched Rs 4 and Rs 5 SKUs at 50 gm for its three power brands - Cinthol, Fair Glow and Godrej No.1, in the Bimaru States.

Domestic market is witnessing a structural shift in terms of demand with rural markets beginning to show increased demand for FMCG products. This is happening at a time when the urban market is showing signs of saturation. However, the low level of penetration in the rural areas is a cause of concern. For a number of consumer expendables the penetration levels are extremely low, but are expected to increase with the passage of time and rise in income levels. For instance, for toilet soap, the average expenditure per user household for low-income households is Rs. 237 while it has increased to Rs. 706 for high-income groups. Rural market at a staggering 122 million, five times the urban market, is hard to ignore by anyone.

This, on the other hand, also provides an excellent opportunity for the industry players in the form of a vastly untapped market. However, to propel the demand in the rural areas, issues like taxes and costs would be very crucial, given the cost-conscious nature of the consumers there.
Brand building will be another key issue. There has been a spurt in promotional activities, which has resulted in an increasing fight for the customer's attention at the point of purchase. This has made brand differentiation at the retail level extremely difficult. This has been further aggravated by brand extension strategies adopted by the companies. One good example is the Hindustan Uni Lever. This company in some of the product categories like toilet soaps has relied heavily on brand extensions. In case of Lifebuoy toilet soap, so many variants have flooded the shelves; however, this could also mean diluted focus, on part of the company and confusion for the consumers.

Impulse to go Rural:
There are many reasons that have urged the FMCG companies to enter the uncharted territory of rural India. Some of the attractions are discussed below:

1. Large Population

The rural Indian population is large and its growth rate is also high. Over 70% of India's one billion plus population lives in around 627,000 villages in rural areas. This simply shows the great potentiality rural India has to bring the much needed volumes and help the FMCG companies to bank upon the volume driven growth.

Table 1: Percentage distribution of households and income

<table>
<thead>
<tr>
<th>Area</th>
<th>Households</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>72.6</td>
<td>74.6</td>
</tr>
<tr>
<td>Urban</td>
<td>27.4</td>
<td>25.4</td>
</tr>
<tr>
<td>All - India</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>


2. 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.

3. Growth in Market

The purchasing power in rural India is on steady rise and it has resulted in the growth of the rural market. The market has been growing at 3-4% per annum adding more than one million new consumers every year and now accounts for close to 50% of volume consumption of FMCG. The growth rates of lot of FMCG are higher in rural markets than urban markets.

4. Effectiveness of Communication

An important tool to reach out to the rural audience is through effective communication. “A rural consumer is brand loyal and understands symbols better. This also makes it easy to sell look-alike”, says Mr. R.V Rajan, CMD of Anugrah Madison Advertising. The rural audience has matured enough to understand the communication developed for the urban markets, especially with reference to FMCG products. Television has been a major effective communication system for rural mass and, as a result, companies should identify themselves with their advertisements.
Advertisements touching the emotions of the rural folks could drive a quantum jump in sales.

5. IT Penetration in Rural India

Today, there are over 15 million villagers in India who are aware of the Internet and over 300,000 villagers have used it. Ten years back, history was created with Public Call Office phone booths (essentially manually operated payphone facilities), opening in every corner of the country. This experiment was an instant success and contributed to hundreds of thousands of jobs. Over the next two years, WorldTel is expected to provide 1000 centres in Tamil Nadu with 2 to 20 terminals in each centre. If successful, this experiment can be replicated easily to all 27 states leading to over half a million Internet users through this experiment alone. The existing 600,000 public call offices in India will soon be transformed into public 'tele-info-centres' offering a variety of multimedia information services. The rural consumers spend time and money to access higher level information. Studies have indicated that if the content has direct relevance results in commercial gains, people in rural areas are willing to pay for information services. Consumerism has altered rural buying behavior in recent years. Spending patterns of those who spend are now adapting to face the technology bug. Today's rural children and youth will grow up in an environment where they have 'information access' to education opportunities, exam results, career counseling, job opportunities, government schemes and services, health and legal advice and services, worldwide news and information, land records, mandi prices, weather
forecasts, bank loans and, livelihood options. If television could change the language of brand communication in rural India, affordable Web connectivity through various types of communication hubs will surely impact the currency of information exchange. As the electronic ethos and IT culture moves into rural India, the possibilities of change are becoming visible.

6. Impact of Globalization:

The impact of globalization will be felt in rural India as much as in urban. But, it will be slow. It will have its impact on target groups like farmers, youth and women. Farmers today 'keep in touch' with the latest information and maximize both ends. Animal feed producers no longer look at Andhra Pradesh or Karnataka. They keep their cell phones constantly connected to global markets. Surely, price movements and products' availability in the international market place seem to drive their local business strategies. On youth, its impact is on knowledge and information while on women it still depends on the socio-economic aspect. The marketers who understand the rural consumer and fine tune their strategy are sure to reap benefits in the coming years. In fact, the leadership in any product or service is linked to leadership in the rural India except for few lifestyle-based products which depend on urban India mainly.

The Indian rural market with its vast size and demand base offers a huge opportunity that companies can’t afford to ignore. The rural market has been growing at 12-13% compared to 7-8% growth of its urban counterpart over the last decade. Corporates are now earnestly looking
towards rural markets because of the good market prospects it offers and
also because the urban consumer markets are getting a bit too cluttered.
Rising incomes, improving infrastructure, favourable government policies
and wide-area rural markets offer huge potential for rural marketing.

According to some rough estimates, the rural market is growing at
the rate of Rs.350 to 400 crores per annum. The urban to rural flow covers
goods and services of all agricultural inputs like fertilizers, pesticides,
seeds, tractors, power tillers, etc., consumables like bath and washing
soaps, detergents, cosmetics, cigarettes, beverages etc. and consumer
durables like bicycles, mopeds, television sets, radios, clocks, electrical
goods, etc. It is estimated that about 40 to 45 per cent of the raw materials
required by such industries flow from rural areas even today.

So, a broad definition of rural marketing is concerned with the flow of
goods and services from urban to rural and vice versa and within the rural
area itself. There are three ways of 'Marketing' possible.

i) Urban products in rural areas.

ii) Rural products in rural areas.

iii) Marketing within the rural area itself.

The rural market in India is much larger than the urban market in
terms of population and number of households. The rural market consists
of more than 100 million households with a total population of about 740
million. In spite of being larger in size, rural areas are characterized by low
per capita income, low literacy, average agricultural productivity and low
level of industrialization. These characteristics of rural India have resulted
in limited capacity for consumptions of goods and services when compared
to consumption levels in advanced countries. The potential for marketing of 
goods and services in rural areas depends heavily on agriculture, since it is 
the main occupation here. The rural market has remained a 'dark area' for 
many companies manufacturing consumables and consumer durables.

Development programmes in the fields of agriculture and allied 
activities, health, education, communications, rural electrification and other 
have improved the levels of general awareness in the rural populace. Some 
market research agencies forecast that rural demand will outstrip the urban 
demand in the near future.

To successfully exploit the potential offered by the rural market, 
there is a need to understand the market not just in terms of households 
and population but in terms of their occupation pattern, income generation, 
marketing arrangements for agricultural produce, the process of rural and 
cottage industrialization, communication facilities, infrastructure 
development, rural buyer behaviour, attitude and belief of rural people and 
their changing values and aspirations.

So, disposable income in the hands of rural people is very much 
dependent on the status of agriculture and other allied activities.

Rural markets, as part of any economy, have untapped potential. 
There are several difficulties confronting the effort to fully explore rural 
markets. The concept of rural markets in India, as also in several other 
countries like China, is still in evolving shape and the sector poses a variety 
of challenges including understanding the dynamics of the rural markets 
and strategies to supply and satisfy the rural consumers.
SEGMENTATION OF RURAL MARKET

Market segmentation helps the firm gear a specific product to the likes or requirements of a particular target group. For segmentation research to be truly operational and profitable, it must cover more of the total marketing problem.

Market segmentation is as important in rural marketing as it is in urban marketing. As a matter of fact, in view of the high cost involved in tapping the rural markets, segmentation becomes all the more important in the rural context. "It would be unwise for many a firm to assume that the rural market is one homogeneous market and can be served with the same marketing mix combination". The firm should carry out a thorough and data based market segmentation to select the relevant segments as its target market.

CLASSIFICATION OF RURAL MARKETING

Innovation is the hallmark of marketing. Innovative method of social change for successful transformation of traditional society is vital and important. MNC's and Indian companies have gained by adapting development approach of marketing. In this process, rural marketing becomes both benefactor and beneficiary. In this stage, rural market can be classified into the following.

- **Consumer Market** - Food Items, Cosmetics, Garments, Leather Products, Bicycles, Furnitures, Televisions, Refrigerators, etc.
2.2 CONSUMER BEHAVIOUR:

Consumer behaviour is defined as "the decision process and physical activity of an individual engaged in when evaluating, acquiring, using or disposing of goods and services".

Consumer behaviour is a rapidly growing discipline of study. It means more than just how a person buys products. It is a complex and multidimensional process decision with respect to acquisition, consumption and disposal activities. Consumers exhibit very significant differences in the buying behaviour and play an important role in local, national or international economic conditions. Marketing starts with the analysis of consumer behaviour, which means those acts of individuals directly involved in obtaining, using and disposing of economic goods and services including the decision processes that precede and determine these acts.

Consumer analysis seeks to determine the underlying currents and crosscurrents in the consumers' minds. It focuses on the causes rather than the results of effective marketing strategy and tactics employed by the firms that are successful in the markets.
Profits from customer relationships are the major aspects of all businesses. So, the basic objective of any business is profit maximization through customer satisfaction. But, it is always difficult to get customer satisfaction. A consumer may state his needs and wants and yet may act otherwise. He may not be aware of his deeper motivations and may change his mind at any stage.

In spite of such diversities among consumers, there are many similarities among them. To find these, the study of target customers’ wants, perceptions and shopping and buying behaviour will be helpful as it will provide the information necessary for developing new products, prices, channels, communication and other marketing elements.

In the majority of markets, however, buyer differs enormously in terms of their buying dynamics. The task faced by the marketing strategist in coming to terms with these differences is complex. In consumer markets, for example, not only do buyers typically differ on their age, income, educational levels and geographical location but also more fundamentally in terms of their personality, lifestyles and their expectations.

The challenge to the marketers is to determine the relative influence of the various factors and to adapt and apply skillfully the so-called information to a proper marketing mix. In other words, the total marketing effort must be so designed that the consumer perceives its various features as providing an answer to his perceived problems and felt needs.

2.3 IMPORTANCE OF STUDY OF CONSUMER BEHAVIOUR:
A study of the consumer behaviour stems from the concept of marketing that is to look at the product form the point of view of the
consumer. This means the marketing manager should find out what the consumers really need rather than offer them what the company thinks that they need.

Consumers are human beings and human behaviour is very complex. To determine what people really want calls for a well informed and a well founded perspective of consumer behaviour. To study and understand consumer behaviour is not the same thing as to control it. Knowledge of consumer behaviour provides the marketing manager with a competitive advantage to formulate his policies and responses to the surface and to understand the complex processes operating in it.

Understanding consumer behaviour may seem to be an impossible dream. Yet, researcher must try because an understanding of buyer behaviour is critical to the success of any marketing program.

DETERMINANTS OF CONSUMER BUYING BEHAVIOUR:

A marketer is always interested to know how consumers respond to various marketing stimuli - product, price, place and promotion and other stimuli i.e., buyer environment, economic, technological, political and cultural.

BUYER NOT BOUND BY SET RULES IN TAKING BUYING DECISION:

When the buyer takes a buying decision no rigid rule is behind him. Sometimes, the decision is taken on the spot. That does not necessarily mean that it is an irrational decision. Sometimes, he may decide after a long search after evaluation of the various alternatives available and after
reassuring himself with the opinion of those who have already purchased the product; still he may subsequently feel that his purchase was impulsive or even foolish. He may go to a shop after having taken the decision to buy a product but he may not buy. For no apparent reason, he may postpone the purchase or even drop the very idea of purchasing the product.

There are five categories of consumers involved in this whole process of diffusion of innovation:

**Innovators:** They are venturesome individuals who are willing to try new ideas and consume new product; sometimes, the product is so new that at times, there are certain defects and it is less than perfect.

**Early Adopters:** They are opinion leaders within the particular industry or social group. These people are willing to try new ideas ahead of others, but, who make careful assessment of potential risk before trying or using the new product.

**Early majority:** These people try the innovated products, services or ideas ahead of rest of the society or masses. They hold up their purchase till they get favorable information from the early adopters.

**Late majority:** They are real risk averters and unadventurous. They take the new product when it is well listed in the market.
**Laggards:** They buy the product when the new product no more remains new. The speed with which a new product gains acceptance and adopted by all types of consumers varies from product to product.

**Buyers:** Buyer is the family member who actually buys the product or service. The child might be the decider of which chocolate he wants to consume but mother is the person who is buying it.

**Preparers:** The family members who transform or prepare the product into the form in which it is consumed. The housewife may prepare the lunch using the vegetables, spices, oil, etc. bought from the market.

Role played by different family members will be different for different products. For example, the mother goes to the market to buy chocolate for her children. After going through various brands, she decides to buy one. She is the decider and buyer but not the user. Husband is getting a watch of his wife's choice. He is only a buyer while his wife is the decider and user. In case of products and services which are to be jointly used by everyone like a planned vacation, furniture, watching a movie, etc. is all based on joint family or group decision.

Consumers show attitude towards many things such as products, brands, companies, celebrities and advertisements that are relevant to marketers. Consumer attitudes are considered as quite important in the evaluation process of objects, products or companies and represent favorable or unfavorable feelings and behavioral inclinations.
The following are the five different roles that a person can play in a buying decision:

**Initiator:**

The initiator is a person who first suggests or thinks of the idea of buying the particular product.

**Influencer:**

The influencer is a person who explicitly or implicitly has some influence on the final buying decision of others.

**Decider:**

The decider is a person who ultimately determines any part or whole of the buying decision i.e., whether to buy, what to buy, how to buy, when to buy or where to buy.

**Buyer:**

The buyer is the person who actually purchases.

**User:**

The user is the person who actually uses or consumes the services or products.

The marketer's task is to study the buying process and the role of the main participants in the buying process. He should initiate all of them to
make purchase of his product at different stages and through different strategies.

2.4 FACTORS INFLUENCING CONSUMER BEHAVIOUR:

Family influence

Family is the most important consumer organization in society and family members constitute the most influential primary reference group. We can distinguish between two families in the buyer's life. The family of orientation consists of parents and sibling. From parents, a person acquires an orientation towards religion, politics and economics and a sense of personal ambition, self-worth and love.

Even if the buyer no longer interacts very much with his or her parents, their influence on behaviour can be significant in countries where parents live with grownup children i.e. their influence can be substantial. A more direct influence on everyday buying behaviour is the family of procreation namely one's spouse and children.

One's view about religion, politics, etc., is influenced by the family. One's attitude towards materials' possession and thrift are shaped by the family. The family makes the children adopt particular form of purchasing behaviour. In many cases, children imitate the elders. For example, if a young person is asked about why he opened his account in this bank, the answer may be "my dad had it here". The bank is perceived as the desirable one because of the person's family influence.

In one of the studies, it has been found that buying nature of the consumer is influenced by family member's recommendations. Moreover, it is also influenced by the quality considerations. Hence, maximum effort
should be taken by the entrepreneurs of SSI units in order to confer product standard to win the confidence of buyer and accept it. Similarly, efforts should be taken to inculcate the attraction in the minds of general people for their products.

2.5 FAST MOVING CONSUMER GOODS

India - a large consumer goods spender: An average Indian spends around 40% of his income on groceries and 8% on personal care products. A larger part of the total spending pie along with a large base (in terms of population) makes India one of the largest FMCG markets.

Chart – 1

Graphical Representation on “Spending Pattern of an average Indian”

Changing lifestyles: Rising per capita income, increased literacy and rapid urbanisation have caused rapid growth and change in demand patterns. The rising aspiration levels and increase in spending power has led to a change in the consumption pattern. Apart from the demand for
basic goods, convenience and luxury goods are growing at a fast pace too. The urban population between the ages of 15 to 34 years is expected to increase from 107 m in 2001 to 138 m in 2011, an increase of 30%. This would unleash a latent demand with more money and a new mindset. With growing incomes at both the rural and the urban level, the market potential is expected to expand further.

**Low penetration and low per capita consumption:** Due to the large size of the market, penetration level in most product categories like jams, toothpaste, skin care, hair wash etc. in India is low. This is more visible when comparison is done between the rural and the urban areas. The average consumption by rural households is much lower than their urban counterparts. Existence of unsaturated markets provides an excellent opportunity for the industry players in the form of a vastly untapped market as the income rises.

A rise in per capita consumption with improvement in incomes and affordability and rising urbanisation is further expected to boost FMCG demand. Also, as the income rises, the shift from unbranded to branded products is expected to be more evident.

The Fast Moving Consumer Goods (FMCG) sector is a cornerstone 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. The sector is excited about the rural population whose incomes are rising and the lifestyles are changing. There are as many middle income households in the rural areas as there are in
the urban. Thus, the rural marketing has been growing steadily over the years and is now bigger than the urban market for FMCGs. Globally, the FMCG sector has been successful in selling products to the lower and middle income groups and the same is true in India. Over 70% of sales are made to middle class households today and over 50% of the middle class is in rural India. The sector is excited about a burgeoning rural population whose incomes are rising and which is willing to spend on goods designed to improve lifestyle. Also, with a near saturation and cut throat competition in urban India, many producers of FMCGs are driven to chalk out bold new strategies for targeting the rural consumers in a big way.

But, the rural penetration rates are low. This presents a tremendous opportunity for makers of branded products who can convert consumers to buy branded products. Many companies including MNCs and regional players started developing marketing strategies to lure the untapped market. While developing the strategies, the marketers need to treat the rural consumer differently from their counterparts in urban because they are economically, socially and psycho-graphically different to each other.

FMCG sector touches every aspect of human life. Indian FMCG market has been divided for a long time between the organized sector and the unorganized sector. Unlike the US market for FMCG which is dominated by a handful of global players, India’s Rs. 460 billion FMCG market remains highly fragmented with roughly half the market going to unbranded, unpackaged home made products.

According to a study by Chennai-based Francis Kanoi Marketing Planning Services Pvt Ltd., the rural market for FMCG is worth Rs.65,000
crores. This can be doubled if corporates understand the rural buying behaviour and get their distribution and pricing right.

In the end, it is certain that FMCG companies will have to really gain inroads in the rural markets in order to achieve double digit growth targets in future. There is a huge potential and definitely there is a lot of money in rural India but the smart thing would be to weigh in the roadblocks as carefully as possible. The companies entering rural market must do so for strategic reasons and not for tactical gains as rural consumer is still a closed book and it is only through unwavering commitment that the companies can make a dent in the market. Ultimately, the winner would be the one with the required resources like time and money and also with the much needed innovative ideas to tap the rural markets.

2.6 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. But 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 fairly 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 a 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. So, 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. So, the geographical spread is not as homogeneous as it is with the urban areas owing to vast differences on 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 comes into the picture. The rural customer generally goes to the same retailer to buy goods. Naturally there's 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 doesn't 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 becomes amply clear that rural India has to be the hot target in future for FMCG companies as it presents a plethora of opportunities, all waiting to be harnessed. Many of the FMCG companies are already busy formulating their rural marketing strategy to tap the potential before competition catches up. With extensive competition not only from MNCs but also from the numerous regional players and the lure of an untapped market has driven the marketers to chalk out bold new strategies for targeting the rural consumer in a big way. All biggies in the industry be it HUL, Marico, Colgate-Palmolive or Britannia, are showing deep interest in rural India. However, not everything is all rosy and there exist some gray areas in the rural strategies also. To increase sales, growing the consumer pie rather than sharing it, has emerged as one of the key strategies being used by FMCG majors. Offering more product variants, categories, price points, sizes and different marketing and distribution channels form part of a FMCG corporate’s strategy.

To gauge the extent of shift in focus of the FMCG giants, just sample this: recently Godrej Consumer Products Ltd (GCPL) did something that it hadn't done before; it introduced smaller pack sizes of some of its soaps and put them on the market for Rs 5. And FMCG giant HUL has just launched a green variant of Lifebuoy soap which it hopes will be a winner in the rural areas. Also, we should not be too surprised if village folk having
their hair washed and dyed en masse as they are only taking advantage of the live demonstrations conducted by Chennai-based CavinKare Products. So, it is clear that rural markets have caught the eyes of FMCG marketers and it is being targeted through experiments in a big way. But is it a right marketing strategy? Or will it prove to be an expensive mistake? Well, that’s the issue most FMCG companies face today and the one we discuss here. HUL has also established a single distribution channel by consolidating categories. The channel seeks to build a network of sub-stockists. In 2003, about 6000 such sub-stockists were appointed to service 50,000 villages with a total population of 250 million. Likewise, at Coca Cola India, to reach out to rural villages, the company started out by drawing up a hit list of high-potential villages from India’s various districts. To ensure full loads, large distributors were appointed and they were supplied from the company’s depot in large towns and cities. Full load supplies were offered twice weekly. On their part, the large distributors appointed small distributors in adjoining areas. The small distributors in turn fixed journey plan on a weekly basis. In addition to these innovative distribution techniques, a number of FMCG companies have now started relying on savvy entrepreneurs who trawl the rural hinterland, gathering mountains of village level data. One such entrepreneur, Pradeep Lokhande, distributes used computers to schools in about 28,000 villages through his Pune-based rural consumer organization.

The focus on rural markets doesn’t really come as a surprise. India’s rural market has been growing steadily over the years and is now bigger than the urban market for fast moving consumer goods (53% share
of the total market). The annual size in value terms currently estimated at around US $ 11 billion. According to a study by the National Council for Applied Economic Research (NCAER), there are as many 'middle income and above' households in the rural areas as there are in the urban areas. Moreover, there are almost twice as many 'lower middle income' households in rural areas as in the urban areas. At the highest income level, there are 2.3 million urban households as against 1.6 million households in rural areas. As per the NCAER projections, the number of middle and high-income households in rural India is expected to grow from 80 million to 111 million by 2007. In urban India, the middle and high-income market is expected to grow from 46 million to 59 million. Thus, the absolute size of rural India is expected to be double that of urban India. But, despite the high rural share in these categories, the rural penetration levels are low, thus offering tremendous potential for growth. This is why Coke and HUL are looking to increase their reach and others are following suit.

Chennai-based CavinKare Products which makes hair dyes, organise live demonstrations in remote areas where villagers get a free tinge of jet black or blonde or red at free of cost. Brooke Bond Lipton India markets its rural brands through magic shows and skits. Reckitt and Colemen use NGOs in rural areas to educate customers about product benefits. But rural India isn't just being developed as a consumer market. It is also being developed as a cost effective supply chain.

Mr Shahra says consumer base is different across categories. "For instance, we offer different products for different target audiences. We
provide soya products at different price points in different markets."
Realising the importance of reaching the consumer, more and more
companies are experimenting with alternative channels like direct
marketing, rural haats, etc. Mr. Press says "Godrej generally keeps
experimenting with alternate channels to pump up volumes". "Our strategy
hinges on effective communication and distribution plans," he adds. ITC is
experimenting with its e-choupal as procurement and marketing channel to
expand its presence in rural India while HUL has a similar initiative in
Project Shakti, Says Mr. Banga. India is one of the most exciting markets
offering great potential. Over the next ten years, India’s per capita income
is likely to double. In FMCG, there is an opportunity to catalyse penetration,
increase usage and upgrade consumers. Volume growth at HUL is
following value growth as a result of building capabilities and strengthening
brands. He says that this, in turn, will bring profit growth.

2.7 PROFILING THE RURAL CONSUMER:

In terms of social economic position, rural consumers were
categorized as low purchasing power group and low per capita group. But,
as revealed by latest surveys, their purchasing power is constantly
increasing. 60% of the rural income comes from agriculture. Reduced
dependence on monsoon and development of modern irrigation systems
has a great impact on purchasing power and well being of rural population.

A typical rural consumer has clear identification of market places for
different requirements. The first point of contact is the 'village shop', which
stocks very essential manufactured goods like tea, beedi, cigarettes, salt, kerosene, matches, edible oils, etc.

For a rural consumer, the shandy or haat is like a mini super bazaar. The range of commodities and services available in a shandy or haat has to be seen to be believed. The range of commodities available are agricultural products like food grains, pulses, groundnut, jaggery, vegetables, fruits, chillies, betel leaves, some cheap brands of cosmetics, toiletry items like bath soaps and washing soaps.

Rural demand has peculiar characteristics in terms of its spread, literacy rate, hierarchy of markets, per capita income, etc., which differentiate it from urban demand. As 70 to 75% of income generations in rural areas are through agriculture and agriculture-related activities, the variables related to agriculture can be safely assumed to be the indicators of the potential of rural market.

Rural markets, by and large, are characterised by underdeveloped people and consequently underdeveloped market.

To be effective, the products have to be physically moved to places of consumptions or points of purchase. The advent and expansion of television network appears to be offering another potential medium for easy communication with rural masses.

The following aspects require very careful consideration while evolving distribution strategies for rural markets:

- Low per capita incomes and the population spread in the villages, the off-take of any product by rural consumers from a village shop, inventory levels to be maintained by a rural shopkeeper, timeframe for him
to liquidate the stocks and the frequency of distribution if a company opts to
distribute the products upto village shop level. Thus, willingness to enter
the rural market alone is not sufficient but identification of shopkeepers,
offering them credit, assuring periodic supplies and motivating them also
become very essential for effective rural market. Since rural consumers
have identified a hierarchy of markets, the extent to which the distribution
system should percolate needs attention. This will obviously have an
adverse impact on the distribution costs. Again, whether a company can
afford such costs should be examined. A cost-benefit analysis has to be
performed.

In a highly heterogeneous market, product positioning becomes very
difficult. Alternatively, the product range should be very large. So, this might
warrant designing new products to suit rural expectations, conditions,
habits, needs and purchasing power. Based on the purchase habits of rural
people, distribution network for different commodities needs to be different.

With low literacy rates, print medium becomes ineffective and to an
extent irrelevant in rural areas since its reach is poor. The dependence is
more on electronic media – cinema and radio appear to be fairly easy and
common in villages; it is not so in the case of television. In addition,
television advertising is very expensive. Companies like HMT, Karnataka
Soaps and detergents Ltd. and others have already adopted the concept of
hired rural promotion vans.

The problems mentioned above can be grouped under the following
major categories:

a) Consumer motivation and buying habits.
b) Location and degree of concentration of demand.

c) Dealer availability, attitude and motivation.

d) Mass communication media.

e) Logistics, storage, transport and handling.

f) Marketing organizations and staff.

2.8 TAPPING RURAL MARKETS:

Opportunities:

The rural market is tempting since it comprises 74% of country’s population, 41% of India’s middle-class people, 58% of India’s disposable income and a large consuming class. Today, the real growth is taking place in rural markets i.e., in 13,113 villages that have a population of more than 5000 each. Of these 13,113 villages, 9,988 villages are in Uttar Pradesh, Bihar, West Bengal, Maharashtra, Andhra Pradesh, Kerala and Tamil Nadu. With 128 million households, the rural population is nearly 3 times that of the urban population.

Threats or Challenges:

The rural market may be alluring but it has its own problems like Low per capita disposable income, large number of daily wage earners, seasonal consumption linked to harvest and festival and other special occasions, poor roads, power problems and inaccessibility to conventional advertising media.

Meeting the Threats/challenges

To put it in a simple way, companies are facing four challenges in rural marketing. They are:
Availability:

The first challenge is to ensure the availability of products and services. India’s 6,27,000 villages are spreaded over 3.2 million sq.km. It is estimated that around 700 million Indians live in rural areas – reaching them is not easy. Given the poor state of roads, it is even a greater challenge to make the products regularly available to the rural India. Reaching these remote villages is sure to increase the distribution or transportation costs. Marketers should look out for incremental market penetration to absorb the transportation costs. To service the remote villages, the large distributors use auto rickshaws, bullock carts and even boats like in the backwaters of Kerala. These stockists appoint smaller distributors and supply them the goods on a weekly basis.

Affordability:

The second important challenge is to ensure affordability of products and services. The rural market is characterized by low disposable income as most of the villagers are daily-wagers. Therefore, the product offerings need to be affordable for the rural consumers. HLL took it as an opportunity and launched Lifebuoy soap at Rs.2 for a 50 gm pack. Today, the most important value proposition of rural India is cost, but companies require better understanding of the demographics of rural India.

Acceptability:

The third challenge is to gain acceptability for the products and service offerings. The product offerings should suit the needs of the rural market. The companies should indigenously develop product offerings to cater to the demands of rural India. The rural India does not want different
products from what urban India consumes. Hence, acceptability is an important point to be taken care.

**Awareness:**

The next challenge is to build awareness about the company's product offerings. Only 41% of the rural households have access to television. Godrej consumer products use radio to reach local people in their own regional language to push its brands. LG Electronics and Philips Electronics use vans and road shows to drive growth in the rural areas. Companies need to turn to innovative methods of advertising like fairs to reach their potential customer base. The companies provide “touch and feel” demonstrations and distribute free samples. This seems to be an extremely effective way of promotion where companies used sponsorship as a tool to reach rural markets.

As a whole, rural marketing is surely a road for sustainable growth for any company in today's hyper-competitive marketing world. The demand in rural areas is for cheaper and long lasting products.

Today, television has proved to be an effective mass medium for communication with rural masses. The television network in the country today covers nearly 100 per cent of the population offering a greater reach when compared to any other mass medium.

In addition, increased disposable incomes are available for spending on erstwhile ‘luxury’ goods like toilet and washing soaps, cosmetics, educational supplies and pharmaceutical products, etc., for the convenience of the rural family.
Infrastructure facilities like road and communications network, rural electrification, public distribution system, cinema, television coverage and the like have also received considerable attention in rural areas.

Telecast by Doordarshan covers almost the whole country including the entire rural population. In fact, the rural population covered by any television transmitter is more than the urban population since a prerequisite for television is availability of electricity and electricity is now available in 88 per cent of the villages. The improvement in infrastructure facilities has created a demand not just for agricultural inputs but also for other products like mopeds, electrical goods, toilet soaps, washing soaps and services like banking, education, health, etc. in rural areas.

The major hurdles in tapping the rural markets can be summarized as:

1. High distribution costs
2. High initial market development expenditure
3. Inability of the small retailer to carry stocks without adequate credit facility.
4. Generating effective demand for manufactured goods.
5. Lack of wholesale and dealer network problems.
7. Banking and credit problems.
10. Inadequate infrastructure facilities (lack of physical distribution, roads, warehouses, and media availability)
11. Highly dispersed and thinly populated markets.
12. Low per capita and poor standards of living with social, economic and culture backwardness of the rural masses.
13. Low level of exposure to different product categories and product brands.
14. Cultural gap between urban based marketers and rural consumers.

2.9 RURAL MARKETING STRATEGIES:

Developing effective rural marketing strategy:

Till recently, most FMCG companies used to treat rural markets as adjuncts to their urban strongholds and rural consumers as a homogeneous mass without segmenting them into target markets and positioning brands appropriately. However, it is beyond doubt that the rural markets are not dumping grounds for low-end products basically designed for an urban audience. The winning strategy instead is to focus on their core competency such as technological expertise to design specific products for the rural economy. The most remarkable example in this context is the launch of sachets which has transformed the rural market considerably as packaging in smaller units and lesser-priced packs increases the product’s affordability. Also companies like HUL and Nestle who have adopted this strategy have been benefited tremendously. Another case is of Britannia with its Tiger brand of low priced and conveniently packaged biscuits becoming a great success story in rural markets.
Companies also need to change the profile of their brand managers as they are usually urban-bred MBAs, fed on a staple diet of western marketing principles and are alien to the rural India. A step in this direction like hiring managers from the Institute of Rural Management, Anand (IRMA) could probably go a long way in improving the situation. Along with the cultural dynamics, the needs and latent feelings of the rural people have to be well understood before launching products in rural segments. Marketers would do well to first understand this and then designing products accordingly. For example, Cadburys has launched ChocoBix, a chocolate flavored biscuit which is based on the consumer insight that rural mothers opt for biscuits rather than chocolates for their children. Another very important factor that needs to be looked at is the proliferation of spurious products. Rural masses are illiterate people and they identify a product by its packaging (color, visuals, size etc.). So, it becomes very easy for counterfeit products to eat into the market share of established reputed brands. The retailer also gets a larger profit on selling the counterfeits rather than the genuine products and hence is biased towards the fakes. Brands such as "Jifeboy", "Bonds Talcum", "Funny & Lovely" etc., which are doing the rounds of rural markets, pose considerable challenge to rural marketers.

Companies would also do well to have a proper sales and distribution network. In terms of sheer reach, the companies can gain significant competitive advantages as the rural market is highly fragmented and a brand needs to be on the shop shelf before it can be sold. Companies should also make sure that the prices of their products are not
pushed up because of a channel of middlemen who are neither required nor add any value to the product. The rural market remains quite price-sensitive and thus squeezing costs at every stage is of vital importance. Some FMCG giants like HUL are in process of enhancing their control on the rural supply chain through a network of rural sub-stockists, who are based in the villages only.

Apart from this, to acquire further edge in distribution, HUL has started Project Shakti in partnership with Self Help groups of rural women. However, not all traditional strategies need to work and the need are to generate creative ideas. A very significant step for change could be an effort to directly tap the haats, mandis, melas and local bazaars which provide an opportunity of promoting the brand in front of a large congregation of rural consumers. Finally, an effective rural strategy for FMCG companies must include the use of traditional media for creating awareness about their products in the rural markets. The need for unconventional media arises as the mass media is too glamorous, interpersonal and unreliable for a rural consumer. The traditional media on the other hand with its effective reach, powerful input and personalized communication system will help in realizing the goal. Besides this, when the advertisement is couched in entertainment, it goes down easily with the villager. The advantages of traditional media which make it a powerful marketing communication channel are: accessibility is high, it involves more then one sense, interest arousal capability is high and minimum cost. There are few companies which have used traditional media effectively and reaped rich dividends. Brooke Bond Lipton India Ltd (BBLIL) markets its
rural brands through magic shows and skits. Reckitt and Colemen uses NGO's in rural areas to educate customers about product benefits which establishes one to one communication channels.

RURAL MARKETING STRATEGIES FOR FAST MOVING CONSUMER GOODS:

Probably, there is no village in the country where one cannot find toilet soap like Hamam or Lifebuoy or a detergent cake like Rin or Cigarettes like Scissors, Bluebird, Charminar or small tea sachets from Hindustan Lever. When the rural consumers go to sell their agricultural produce, they also make purchase of these durable and FMCG items.

Traditionally, many of the rural shops have been stocking and selling packaged products like teas, soaps, and other similar items. Organisation like ORG (Operation Research Group, Vadadora) regularly conducts retail shop level audit to know brand wise off-take of packaged goods in rural market. This type of audit is done on a fairly large sample so that market shares of different brands can be estimated.

A number of packaged products are available in village shops, shandies, haats, jathras and melas which primarily attract rural consumers.

Table 2: The contribution of rural market of toilet soaps to all India market.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Product Category</th>
<th>Name of product</th>
<th>Contribution in percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Toiletries</td>
<td>1. Premium Soaps</td>
<td>26.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Popular Soaps</td>
<td>50.5</td>
</tr>
</tbody>
</table>

The factors contributing to the growth of rural market are the growing rural population, growth in rural incomes and the governments' investment...
in rural development programmes. Such continued investments in rural development programmes will further strengthen and sustain the growth in the coming decades. While these are general factors which contribute to this growth, there are many specific factors like:

1. Expansion of rural retail network.
2. Expansion of TV network, cable television and number of channels.

**Product:** Is there a need to redesign or modify products sold in urban areas to suit the rural consumers or can the same products be sold as they are? The answer to this question is both yes and no, since it depends upon the product and its characteristics. The factors to be considered while redesigning or modification are: (i) the specific requirements of rural consumers, (ii) their habits of usage, (iii) their purchase habits, (iv) their income levels, (v) customs, beliefs, taboos, etc.

**Price:** Pricing is another crucial aspect of rural marketing. It is a well known fact that rural per capita income is much lower than urban per capita income. For rural consumers, there is a need for low-priced products or redesigned/modified products whose unit cost will be low. The rural market offers vast potential if only products to be made available to them in a suitable form and price.

The pricing aspect is contingent upon the product, its size of packaging, ingredients used in the product, packaging materials used and other factors.

**Distribution:** The strategies for distribution should take into account the purchasing habits of rural people. It is only some enlightened companies
like Hindustan Uni Lever Limited., which has recognized the great potential offered by the rural market and has been constantly trying to extend their distribution system beyond the villages they are already covering. In the late nineties or early twentieth century, they again had a programme called 'Project Shakti' to cover villages with less than 1,000 as population. Thus, HUL's presence is felt in very small villages also. HUL was able to identify and select villages with potential and includes them in the regular distribution network. It is estimated that about six lakh SHGs are now functioning in the country.

**Promotion:** Amongst all the elements of marketing mix, promotion has received sufficient attention of marketers.

(a) **Television:** With the expansion of television telecasting network which now covers the entire country, the opportunities for promotion of products in rural areas have opened up. According to the government statistics, telecasting stations cover more of rural population than urban population.

(b) **Elephant March:** The elephant normally carries giant size cartons of the product concerned accompanied by a band that plays popular tunes and the entire procession marches along. This attracts the attention of rural consumers and creates product awareness among them.

(c) **Rural van:** The rural van promotion has been made simpler by painting the product brand, company name and logo on the vans. In addition to audio and video facilities, the vans also have provision for the company's salesmen to stay in them for days, carry stocks for immediate distribution and sampling and also suitable product literature. From the experiences of
various companies, it appears that van promotion in rural areas has proved very effective.

(d) **Awareness programmes:** A programme would normally be organized and the people in the village should be invited to attend the programme. The information could be sent through handbills. It should be noted that during this promotion activity, the product features should be clearly explained and a friendly atmosphere to be created to have open discussion.

(e) **POP promotion:** Finally, in the case of consumable items, it is not uncommon to find Point of Purchase promotion materials in rural shops. Either POP materials are supplied to the shops when the distribution van visits the villages or they collect the same when they go for purchases. One can find wall posters, paintings and danglers in rural shops also.

To summarise, there has been concerted efforts on the part of marketers to make products specifically meant and suitable for rural market.

For instance, soaps, detergents and personal products contribute a substantial portion of HUL's revenues and the growth in some categories is slowing due to market saturation. Given its dominant market share in these businesses, it is becoming quite difficult for HUL to beat market growth rates. Competition has also been intensifying. Fresh from restructuring exercises of their own, players such as Nirma, Godrej Soaps and Henkel SPIC have made a dent in HUL's market. In the third quarter, HUL conceded losing market share in categories such as toilet soaps and skin care. HUL's new business initiatives over the past couple of years may...
address this problem. One such initiative is an effort to enhance rural market penetration for categories such as personal products, soaps and detergents. Towards this end, HUL has been pepping up its rural distribution systems and has launched low unit price variants of its popular brands to draw in new users in the rural areas. Given the continued slowdown in the agricultural economy in 2000, this strategy may not pay dividends in the near term, but could pep-up flagging growth rates in mature categories once agricultural growth rates pick up.

- HUL power brand strategy has helped its soaps business beat the declining market and post strong growth in 2002. With consumer-excitable innovations, quantum jump in quality and market activation, Lifebuoy, Lux and Liril posted double digit growth.

- HUL’s 107-year-old brand, Lifebuoy, was re-launched with a new formulation as a mild toilet soap and a completely new positioning as a family health soap. The strategy to maintain the leadership of India’s largest selling soap and extend its health equity beyond its 60 crore existing consumers restored the growth of Lifebuoy, said Banga.

- Lux, which had been re-launched earlier in 2001, reaped the benefits of the significant investment made in product quality and effective market activation. This led to stronger double-digit growth during 2002. The brand’s equity has been further extended to open a new premium segment of Face and Body Wash. The response to this extension has been encouraging.
- The growth of Liril was sparked with an exciting new addition, 'Liril Icy Cool Mint'. Along with Lux, Liril too has been extended as a body wash to open up this new premium segment.

With a population of 1 bn people, India is a big market for FMCG companies. Around 70% of the total households in India reside in the rural areas. The total number of rural households is expected to rise from 135 m in 2002 to 153 m in 2010 which represents the largest potential market in the world.

**Table 3: Rural and urban potential**

<table>
<thead>
<tr>
<th>Population</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population 2001-02 (m household)</td>
<td>53</td>
<td>135</td>
</tr>
<tr>
<td>Population 2009-10 (m household)</td>
<td>69</td>
<td>153</td>
</tr>
<tr>
<td>Market (Towns/Villages)</td>
<td>3,768</td>
<td>627,000</td>
</tr>
</tbody>
</table>

Source: Statistical Outline of India (2001-02), NCAER