CHAPTER – I

INTRODUCTION

Advertising is a measure of growth of civilization and a sign of striving of human race for betterment and perfection. The drive for survival and satisfaction and the limits of human endeavor have been succinctly summed up by Maslow in his holistic dynamic theory which brings together various schools of thought on the subject (Maslow 1954). Advertising has both forward and backward linkages in the process of satisfaction across the entire spectrum of needs. The explicit function of advertising is to make the potential audience aware of the existing product, service or idea which would help them fulfill their felt needs and spell out the differential benefits in competitive situation. On advertising also lies the obligation of motivating prospects to strive for creation of resources for fulfilling new needs to aid reallocation of available resources. “Advertising is not merely directed at selling or for achieving the objective of gaining acceptance for a worthwhile idea or programme. It is also an instrument for developing basic motivations for creating resources for buying goods and services for generating favourable conditions for acceptance of an idea” (Mohan, 2002).

“As needs escalate, the consumer perceptions of products and services also change. Buyers attitude towards products may be determined not only by products manufactured in factories but also by what is added in form of packaging, services, advertising, customer advice, financing, warehousing and other things that people value” (Levitt and Theodors, 1969).

According to Richards and Curran (2002), “Advertising is a paid, mediated, form of communication from an identifiable source, designed to persuade the receiver to take some action, now or in the future”. Advertising is looked upon as a major part of an overall promotional strategy by the marketers, while it is viewed as encompassing all forms of promotional communication by general public. Most advertising practitioners limit it to paid communications conveyed by a mass medium. Kotler (2006) defines advertising as “Advertising is any paid form of non-personal presentation of ideas, goods and services by an identified sponsor”. Victor (1984) says, “Advertising is any paid message presented in media by a paid sponsor.”
As a form of commercial mass communication, advertising is intended to promote the sale of a product or service, or a message on behalf of an institution, organization, or candidate for political office. Historically, advertising can be found in cultures that existed thousands of years ago, but advertising only became a major industry in the 20th century. Today, the industry employs hundreds of thousands of people and influences the behavior and buying habits of billions of people. Advertising spending worldwide now exceeds $350 billion per year. In the United States alone about 6,000 advertising agencies help create and place advertisements in a variety of media, including newspapers, television, direct mail, radio, magazines, the internet and outdoor signs. Advertising is so commonplace in today’s world that an average person may encounter from 500 to 1,000 advertisements in a single day, according to some estimates (Microsoft Encarta Online Encyclopedia, 2009).

Too often, advertising is seen in short-run terms, with the main emphasis on the current profit and loss statement. To improve results, management must view advertising as a capital investment with sales revenue generated like a stream over time. The key is to assess the customer-holdover or cumulative effect of the media campaign, based on analysis of a company’s past performance.

A few decades ago, when W.K. Kellogg was asked what was necessary to get into the cornflakes business, he replied: “To build production facilities, X million dollars; to get consumer acceptance, three times as much.” He clearly understood that advertising outlays to gain brand recognition were an integral part of the total investment needed to break into the business.

Advertising is not just valuable for new companies alone. It is even more important for well established businesses in order to develop customer loyalty and corporate image in short, to build an intangible capital asset called goodwill. This view is also held by antitrust economists, who generally are not favorably disposed to advertising. To them, brand franchise, created through heavy spending in mass media, is just as formidable a barrier to entry as the capital needed for buildings and machinery.

Each piece of advertising influences sales today, and at the same time adds another brick to the structure of goodwill that increases business tomorrow. The key element is the customer-holdover effect. It can occur in two ways. Advertising may lead
directly to sales; and many new buyers, being satisfied with the brand, may repeat the purchase. Or, the advertising stimulus, instead of winning fresh converts, may increase brand usage per customer; and this habit may persist far into the future. Thus, in both cases the initial exposure affects present as well as future purchases. Proper evaluation procedures require that these later sales be credited somehow to the earlier exposure.

Most of the advertisements are designed to promote the sale of a particular product or service. However, some advertisements also intend to promote an idea or influence behavior, like encouraging people not to use illegal drugs or smoke cigarettes. These advertisements are commonly addressed as public service advertisements (PSAs). Some advertisements promote an institution, such as the Red Cross etc. and are known as institutional advertising. Their purpose is to encourage people to volunteer or donate money or services or simply to improve the image of the institution doing the advertising. Advertising is also used to promote political parties and candidates for political office. Political advertising has become a key component of electoral campaigns in many countries.

As quoted by Ball (1978), “Advertising enables consumers to exercise their right of free choice. Also, advertising is one of the most economic means by which a manufacturer or an institutional body can communicate to an audience, whether to sell a product or promote a cause of social welfare. Advertising can help in improving the economies of developed and developing countries as advertising stimulates increases in production and consequently generates more employment. It can help to stabilize the prices and thus lead to wide distribution and greater availability of goods and services”.

1.1 Evolution of Advertising

The evidence of advertisements has been found dating back to 3000 BC, among the Babylonians. Outdoor display typically an eye-catching sign painted on the wall of a building is one of the first known method of advertising. Many such signs have been uncovered by the Archaeologists, notably in the ruins of ancient Rome and Pompeii. An outdoor advertisement found in Rome indicates the offer of property for rent, and another found painted on a wall in Pompeii calls the attention of travelers to a saloon situated in another town.
In medieval times word-of-mouth praise of products gave rise to a simple but effective form of advertising, the use of so-called town criers. The criers were citizens who read public notices aloud and were also employed by merchants to shout the praises of their wares. Later, they became familiar figures on the streets of colonial American settlements. The town criers were forerunners of the modern announcer who delivers radio and television commercials. (Microsoft Encarta Online Encyclopedia, 2009)

Later, by the invention of movable-type writer, printing advertisements came into existence, which made the distribution of circulars and posters possible. The first printed advertisement to appear in English was in the form of a handbill which announced the sale of a prayer book. Two hundred years later, the first newspaper ad was published which offered a reward for the return of 12 stolen horses. The Boston News-Letter was the first regularly published newspaper in America, which began carrying ads in 1704, and after 25 years later the ads were made more readable by using large headlines. Due to the expanding economy in the 19th century, advertising grew alongside. Later, classified ads in newspapers became more popular, with small print messages promoting all kinds of goods. When radio stations began broadcasting in the early 1920s, the programs were aired without advertising. The first radio stations were established by radio equipment manufacturers and retailers offering programming to sell radios. However, many non-profit operators followed suit, such as schools, clubs, and civic groups (McChesney, 1999). The radio station owners soon realized they could earn more money by selling sponsorship rights to other businesses. In those days, each show was usually sponsored by a single business, in exchange for a brief mention of the sponsor at the beginning and end of the show. This practice was carried over to Television in late 1940’s and early 1950’s. The 1960s saw advertising transform into a modern, more scientific approach in which creativity was allowed to shine, producing unexpected messages that made advertisements more tempting to consumers' eyes.

The late 1980s and early 1990s saw the introduction of cable television with numerous channels, wherein many channels pioneered the concept of the music videos, and ushered in a new type of advertising that is the consumer tunes in for the advertising message, rather than it being a byproduct or afterthought. As cable and
satellite television became increasingly prevalent, specialty channels emerged, including channels entirely devoted to advertising.

1.1.1 Advertising Effectiveness

Advertising is an investment involving huge sum of money besides lot of energy, creativity and time. The stake is really high. If an advertising campaign fails to achieve desired impact, the mistakes become too costly for both the advertiser and the agency. Thus, it becomes logical for the advertiser to check the effectiveness of advertising. The measuring of advertising effectiveness shows how effective and successful a particular campaign has been. The effects of advertising should be isolated from those of other promotional and marketing activities to measure its effectiveness. The measurable factors like readership, consumer opinion, belief or disbelief, recall, attention, comprehension, attitude, etc. are taken into consideration for the purpose of measuring effectiveness. To achieve optimum sales, this is the ultimate purpose of advertising. Positive relationships are, therefore, established between these factors and sales. Copy testing before and after use is done with reference to customers. Consumers under an advertising research programme determine the best read and highly rated advertisements.

All advertising is not designed to lead directly to sales. For example, some advertising may be aiming for long-term brand-image building. Whether it is designed for short-term or long-term purposes, advertising’s effectiveness lies in its capability to help stimulate or maintain sales (Eachambadi, 1994; Mantrala et al., 1992; Naik et al., 1998; Vidale and Wolfe, 1957). Thus, advertising is frequently used as an independent variable in explaining changes in sales (Lilien, 1994). According to Abraham and Lodish (1990), however, “a real and important issue in advertising effectiveness is the incremental sales of a product over and above those that would have happened without the advertising or promotion.” The short-term advertising resulting in a sustained high level of sales portrays the fact that the company is getting the most out of advertising. Although advertising managers have long considered the idea that advertising’s impact on sales can persist longer than the current period (Clarke, 1976), many of them still assume that advertising’s effect on sales is short term. They also hold that, in all cases,
more and longer uses of advertising are better than less and shorter uses of it, whether or not advertising is directly boosting sales (Jones and Philip, 1992). Abraham and Lodish (1990) suggest that, “as a result, much advertising is wasted, largely due to the lack of measures that can show the manager the impact of short-term advertising on long-term sales”.

For advertising to be effective it is necessary to set the objectives in advance against which achievements can be compared. The methods of analyzing and evaluating progress towards the objectives can be established. One also needs to view the way in which advertising works, and what it can achieve for a given product.

Hedges (1998) identified four different levels at which advertising can operate. In the first level, the customer is made conscious about the advertisement. In the second level, the information about the brand like its existence, functions etc. are revealed in the advertisement; further advertising associates the brand with moods, feelings, emotional colors etc. which turn out to be important in understanding the perception of the brand and its affect in particular situations and at the lowest level, advertising creates a sense of acquaintance that is a feeling that the brand is around.

The advertising effectiveness is measured in light of sales and communication objectives. The two important aspects of measuring effectiveness of advertisements are:

- **Measuring sales:** It is a realistic approach to the assessment of advertising effectiveness. It is very useful tool where advertising is the predominant contributor to sales, when sales response is immediate and when internal and external factors affecting sales response are held constant or are ineffective. But advertising is not the only contributory factor to sales. Measuring its effectiveness, therefore, in terms of sales only is not very logical or scientific. Nevertheless, this is the only realistic approach to the measurement of the effectiveness of advertising.

- **Measuring communication effects:** It is measuring advertising effectiveness by how much the communication process has been useful in motivating consumers. This approach is considered more economical and easy because communication effects can be measured by research, opinion,
mathematical models etc. The communication objectives, i.e. establishing brand awareness, improving recall, increasing brand recognition, bringing about an attitude change, etc., can be measured because these are realistic (Chunnawala and Sethia, 1994).

According to Lucas and Stewart (1962), a meaningful measurement of effectiveness of advertising will be possible only by disaggregating the total area to be covered and relating it to various stages of processing and preparation of advertising and to the hierarchy of its possible effects. The authors recommended the application of the research techniques at four stages as mentioned below:

- Analysis of past advertising experience for an analytical framework.
- Surveys of buyer behaviour and consumer preferences in developing advertising objectives and strategies.
- Pre-testing advertisements before their release.
- Post test research to test the reach and impact of advertising after its release.

Improvement in effectiveness of advertising can be brought about by careful and considered changes introduced by combined efforts of an advertiser and advertising agency.

1.1.2 Categories of Advertising

Print Advertising

The print media has always been a popular advertising medium. Advertising products via use of newspapers or magazines is a common practice. In addition to this, the print media also offers options like promotional brochures and fliers for advertising purposes. Often the newspapers and the magazines sell the advertising space according to the area occupied by the advertisement, the position of the advertisement (front page/middle page), as well as the readership of the publications. For example, the cost of an advertisement in a relatively new and less popular newspaper would be far less than placing an advertisement in a popular newspaper with a high readership. The price of print ads also depend on the supplement in which they appear, for example an
advertisement in the glossy supplement costs way higher than that in the newspaper supplement which uses a mediocre quality paper (Dertouzos and Garber, 2006).

Outdoor Advertising

Outdoor advertising is also a much admired form of advertising, which makes use of several tools and techniques to attract the customers outdoors. The most common examples of outdoor advertising are billboards, kiosks, and also several events and tradeshows organized by the company. The billboard advertising is though very popular; however it has to be really abrupt and catchy in order to grab the attention of the passers by. The kiosks not only provide an easy outlet for the company products but also make for an effective advertising tool to promote the company’s products. Organizing several events or sponsoring those makes for an excellent advertising opportunity. The company can organize trade fairs, or even exhibitions for advertising their products. If not this, the company can organize several events that are closely associated with their field. For instance a company that manufactures sports utilities can sponsor a sports tournament to advertise its products (Eachambadi, 1994).

Broadcast Advertising

Broadcast advertising is a very popular advertising medium that constitutes of several branches like television, radio or the Internet. Television advertisements have been very popular ever since they have been introduced. The cost of television advertising often depends on the duration of the advertisement, the time of broadcast (prime time/peak time), and of course the popularity of the television channel on which the advertisement is going to be broadcasted. The radio might have lost its charm owing to the new age media however the radio remains to be the choice of small-scale advertisers. The radio jingles have been very popular advertising media and have a large impact on the audience, which is evident in the fact that many people still remember and enjoy the popular radio jingles (Machesney Robert, 1999).
Covert Advertising

Covert advertising is a unique kind of advertising in which a product or a particular brand is incorporated in some entertainment and media channels like movies, television shows or even sports. There is no commercial in the entertainment but the brand or the product is subtly showcased in the entertainment show (Millman, 2005).

Surrogate Advertising

Surrogate advertising is prominently seen in cases where advertising a particular product is banned by law. Advertisement for products like cigarettes or alcohol which are injurious to health are prohibited by law in several countries and hence these companies have to come up with several other products that might have the same brand name and indirectly remind people of the cigarettes or beer bottles of the same brand. Common examples include Fosters and Kingfisher beer brands, which are often seen to promote their brand with the help of surrogate advertising (James and Steven, 2006).

Public Service Advertising

Public service advertising is a technique that makes use of advertising as an effective communication medium to convey socially relevant messages about important matters and social welfare causes like AIDS, energy conservation, political integrity, deforestation, illiteracy, poverty and so on. Today, public service advertising has been increasingly used in a non-commercial fashion in several countries across the world in order to promote various social causes. In some countries, the radio and television stations are granted on the basis of a fixed amount of Public service advertisements aired by the channel (Lotte and Flemming, 2002).

Celebrity Advertising

Although the audience is getting smarter and smarter and the modern day consumer getting immune to the exaggerated claims made in a majority of advertisements, there exist a section of advertisers that still bank upon celebrities and
their popularity for advertising their products. Using celebrities for advertising involves signing up celebrities for advertising campaigns, which consist of all sorts of advertising including, television ads or even print advertisements (Alexra, et al., 1998).

1.2 Television Advertising

Television is often called "king" of the advertising media, since a majority of people spend more hours watching TV per day in comparison to any other medium. Television uses the combination of sight, color, sound and motion to create an effect. TV has proved its credible power in influencing human behavior repeatedly. The Television Advertisement is a form of advertising in which goods, services, organizations, ideas, etc. are promoted via the medium of television. Advertising on television can give a product or service instant reliability and reputation. Different segments of the society can be captured by scheduling the time for advertisements, as for example, children can be reached during cartoon programming, farmers during the morning agricultural reports and housewives during the afternoon soap operas. TV offers the greatest possibility for creative advertising by taking the audience anywhere and shows them almost anything through the magic of a camera. TV audience is divided into very large segments, and television enables to reach a larger, yet, more diverse audience (Way, 1984).

Most of the television commercials are produced by an outside advertising agency and the airtime is purchased from a television channel. The first ever television advertisement was broadcasted in the United States in 1941, wherein, the Bulova Watch company paid $9 to New York City NBC affiliate WNBT (now WNBC) for a 20-second spot aired before a baseball game between the Brooklyn Dodgers and Philadelphia Phillies. It simply displayed a Bulova watch over a map of the U.S., with a voiceover of the company's slogan "America runs on Bulova time” (Walker and Robert, 1941).

The vast majority of television advertisements today, consist of brief advertising spots, ranging in length from a few seconds to several minutes. Advertisements of this sort have been used to sell every product imaginable over the years, from household products to goods and services, to political campaigns. Many television advertisements
feature catchy jingles (songs or melodies) or catch-phrases that generate sustained appeal, which may remain in the minds of television viewers long after the span of the advertising campaign.

Many studies and theories have been presented to explain the phenomenal success of television as entertainment media. The psychologist Geoffrey Beattie in his paper “Making Thought Visible: The New Psychology of Body Language” suggests that the success of television might be the result of an evolutionary process of our brain, which favored media combining sound and video. Professor Robert Kubey wrote an article in the magazine “Scientific American” trying to prove that television is addictive. Not backed by any statistic or study, it is believed that part of television’s success is the fact that it requires low level of attention; it is not uncommon to see people fall asleep in front of the screen. It is also likely that television would not have been so successful if it would have come equipped of a keyboard instead of buttons to change the channel. Many viewers complain that the latest remote controls are too difficult to use, and often devices seem to forget what really viewers want, the same that has helped TV to become one of the most well accepted media of our times: simplicity. Newer generations are certainly more acquainted to technology and might be able to benefit from an increased number of functionalities; however, in the entertainment world this concept will always play a fundamental role.

The ‘shared experience’ of television advertising can also help boost brand awareness since it becomes part of the collective consciousness. The value of television advertisement lies often not only in the advertisement itself, but in the fact people talk about it with friends and colleagues. Another indirect benefit of television advertising is the degree of trustworthiness companies reach for the only fact of doing television advertisements, and often this has positive effects on the distribution chain since retailers are likely to give bigger orders and better use them only to change the channels and volume. The growing importance of television as advertising media has led to the only reasonably reliable measurement system within the industry, which even more consolidated the predominant position of television among the different mass media channels. As a result television advertising is often seen as the safe option, as one planner once said ‘No one ever got fired for recommending TV’.
1.3 FMCGs Advertising

Fast Moving Consumer Goods (FMCGs), also known as Consumer Packaged Goods (CPGs), are products that have a quick turnover, and relatively low cost. Consumers generally put less thought into the purchase of FMCGs than they do for other products. Though the absolute profit made on FMCGs products is relatively small, they generally sell in large numbers and so the cumulative profit on such products can be large. Examples of FMCGs generally includes a wide range of frequently purchased consumer products such as toiletries, soap, cosmetics, teeth cleaning products, shaving products and detergents, as well as other non-durables such as glassware, bulbs, batteries, paper products and plastic goods. FMCGs may also include pharmaceuticals, consumer electronics, packaged food products and drinks, although these are often categorized separately.

The Indian FMCGs sector is the fourth largest sector in the economy with a total market size in excess of US$ 13.1 billion. It has a strong MNC presence and is characterised by a well-established distribution network, intense competition between the organised and unorganised segments and low operational cost. Availability of key raw materials, cheaper labour costs and presence across the entire value chain gives India a competitive advantage. The FMCG market is set to treble from US$ 11.6 billion in 2003 to US$ 33.4 billion in 2015. Penetration level as well as per capita consumption in most product categories like jams, toothpaste, skin care, hair wash etc. in India is low indicating the untapped market potential. Burgeoning Indian population, particularly the middle class and the rural segments, presents an opportunity to makers of branded products to convert consumers to branded products. Growth is also likely to come from consumer 'upgrading' in the matured product categories. With 200 million people expected to shift to processed and packaged food by 2010, India needs around US$ 28 billion of investment in the food-processing industry (IBEF Report, 2006).

“From the investors’ perspective, Fast Moving Consumer Goods (FMCGs) sector is the source of high and stable return, and there has been enormous growth in market size over the last decade. FMCGs are low priced and widely distributed”. Toiletries, detergents and beverages are examples for FMCGs (Kotler & Armstrong,
1999). Among FMCGs, cosmetics and toiletry has the highest profitability, and this sector happens to have highest selling costs and advertising expenses (both as percentages of net sales). The growth of this sector is highly dependent on brand promotion.

FMCG products can be thought of in contrast with consumer durables, which are generally replaced less than once a year (e.g. kitchen appliances). Three of the largest and best known examples of Fast Moving Consumer Goods companies are Nestlé, Unilever and Procter & Gamble. Examples of FMCGs are soft drinks, tissue paper, and chocolate bars. Examples of FMCG brands are Coca-Cola, Kleenex, Pepsi and the Mars Bar.

The various characteristics of Indian FMCG Industry are discussed below, out of which some features are common across countries whereas some are unique in Indian context:

- **Heavy launch Costs:** The entire launch process goes through series of processes such as product development, market research, test marketing, promotion and brand building. The requirement of huge cash outflow in form of launch cost is as high as 50-100 percent of the revenues.
- **Unorganized Markets:** Around 60 percent of the Indian FMCG sector is unorganized due to the presence of factors like low entry barriers in terms of low brand awareness, low capital investments, and low fiscal incentives from government.
- **Distribution Network:** FMCG industry in India distributes their products to around ten lakh retail outlets, which calls for a sound, efficient logistics and multi-tiered distribution network.
- **Consumption Capacity:** The rural demand is not as steady as urban demand, mainly due to the determination of rural income levels by vagaries of monsoon. Organisations tapping rural markets have to create the capacity to consume at the bottom of the pyramid markets to convert people below poverty line into consumer market.
- **Brand Building:** Major Indian consumer product companies have sound
presence throughout Indian market with their strong brands. The leading companies make considerable investment in R&D to sharpen and maintain their edge in the business.

- **Rise of Regional Brands**: Regional brands these days are taking on well known established brands by pursuing geographical or need based flanking strategies. In geographical attacks the challengers identify regions not represented by dominant brands, whereas in need based attacks, they serve the unfulfilled demand of the market (Dogra and Ghuman, 2008).

### 1.4 Rural Markets

In the past years, due to the lack of facilities available in the rural areas, the rural consumer went to a nearby city to buy branded products and services. Today, the marketers have realized the potential in the rural market, which has become critical for them, be it for a branded shampoo or an automobile. Earlier, van campaigns, cinema commercials and a few wall paintings sufficed the purpose of the marketers to entice rural folks under their folds. Today, television has made the customer in a rural area quite literate about countless products that are on offer in the market place.

Rural Marketing is planning and implementation of marketing function for rural areas. It is a two way marketing process which encompasses the discharge of business activities that direct the flow of goods from urban to rural areas for manufactured goods and vice versa for agricultural produce (Gopalaswamy, 2005).

“Rural Marketing is a process which starts with a decision to produce a saleable farm commodity and involves all aspects of market structure or system, functional and institutional, based on technical and economic considerations, and includes pre and post harvest operations, assembling, grading, storage, transportation and distribution” (National Commission on Agriculture, 2001).
Table 1.1
Rural Marketing Scope: Flow of Goods and services

<table>
<thead>
<tr>
<th>From/To</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>1. Consumables and durables, Agricultural Inputs</td>
<td>Not Concerned</td>
</tr>
<tr>
<td></td>
<td>2. Consumables</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Consumer Durables</td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>1. Rural marketing, services and products</td>
<td>1. Agricultural and Allied production</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Rural artisans and rural industry products</td>
</tr>
</tbody>
</table>

Source: (Jha, M., 2003)

Trends indicate that the rural markets are coming up in a big way and are growing twice as fast as the urban markets with a great rise in sales of typical urban gadgets such as refrigerators, mixer-grinders and pressure cookers (Table 1.1). According to a National Council for Applied Economic Research (2001), the number of 'middle income and above' households in the rural areas is similar to that in the urban areas and the number of 'lower middle income' households in rural areas are almost twice 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. According to Mr. D. Shivakumar, Business Head (Hair), “Personal Products Division, Hindustan Lever Limited, the money available to spend on FMCGs products by urban India is Rs. 49,500 crores as against is Rs. 63,500 crores in rural India” (The Hindu, 2001)

As per (NCAER, 2001), “the number of middle and high income households in rural India has grown from 80 million to 111 million in 2007. In urban India, the same has grown from 46 million to 59 million. Thus, the absolute size of rural India is expected to be double than that of urban India in the coming years”. The study on ownership of goods indicates the same trend. It segments durables under three groups -
(1) necessary products - Transistors, wristwatches and bicycles, (2) Emerging products - B&W TVs and cassette recorder, (3) Lifestyle products - CTVs and refrigerators. Marketers have to depend on rural India for the first two categories for growth and size. Even in lifestyle products, rural India will be significant over next five years.

An important tool to reach out to the rural audience is through effective communication. A rural consumer is brand loyal and understands symbols better. 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 masses and, as a result, companies should identify themselves with their advertisements. Advertisements touching the emotions of the rural folk could drive a quantum jump in sales.

There is a need to differentiate the brand according to regional disparities. The differentiation may not be necessarily being in terms of product content. It may also be in terms of packaging, communication or association with the brand. The brand has to be made relevant by understanding local needs. Even offering the same product in different regions with different brand names could be adopted as a strategy.

“Today, the young and the educated in the villages are already large in number and this number is increasing. Already, 40 per cent of all those graduating from colleges are rural youth. They are the decision makers and are not very different in education, exposure, attitudes and aspirations from their counterparts at least in smaller cities and towns”. (Shanthi, 2001)

The most peculiar feature of a typical rural market is its difficult prediction and possession of unusual characteristics. The featured population is predominantly illiterate, have low income, characterized by irregular income, lack of monthly income and flow of income fluctuating with the monsoon winds, price sensitive, high brand loyalty, influenced by traditions, low literacy, diverse customs, languages and social structures, resistant to change, moderate aspirational levels and low risk taking ability.

The marketer has to strengthen the distribution and pricing strategies to handle the critical issues of distribution, communication, poor infrastructure faced by the rural markets. The rural consumer expects value for money, owing to his unsteady and meager status of weekly income; increasing the household income and improving
distribution are the viable strategies that have to be adapted to tap the immense potential of the market.

Media plays a pivotal role in the penetration of goods like cosmetics, mobile phones, and other FMCG products etc. in the rural areas. Increasing awareness and knowledge on different products and brands accelerate the demand of that product. The rural audience is however, critical of glamorous ads on TV, is largely dependable on the opinion leaders who introduce the product by using it and recommending it.

“Opinion leaders popularize the products and influence in rural market and rural folk to a large extent. Nowadays, educated youth of rural also influences the rural consumers. Rural consumers are influenced by the lifestyle they watch on television sets. Their less exposure to outside world makes them innocent and fascinated to novelties. The reach of mass media, especially television has influenced the buying behaviour greatly”. (Badi and Badi, 2004)

In spite of the differences in lifestyles of rural and urban populace, rural markets are delicately powerful. Certain adaptations are required to be taken care of by the marketers to cater to the rural masses as they have unique expectations and call for changes in all four parameters of product, price, promotion and distribution.

Rural masses emphasize on adapting the product and price in terms of packaging, flavouring etc., and in sachets, priced to suit the economic status of the rural India in sizes like Rs.5 packs and Re.1 packs that are perceived to be of value for money. This is a typical penetration strategy that promises to convert the first time customers to repeated customers.

The promotion strategies and distribution strategies are of paramount importance in rural markets. Ad makers have learnt to leverage the benefits of improved infrastructure and media reach. The television airs advertisements illustrating the lifestyles followed by urban masses and the celebrities to lure rural masses, and efforts are also made to make such advertisements reach the target audience, because majority of rural India possesses TV sets and is attracted to television viewing (Table 1.2).
Table 1.2
Penetration of Different Product categories in Rural Market

<table>
<thead>
<tr>
<th>Categories</th>
<th>Penetration in Rural Markets in %</th>
<th>Highest penetration Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toilet soap</td>
<td>91</td>
<td>Lifebuoy</td>
</tr>
<tr>
<td>Washing cake or bar</td>
<td>88</td>
<td>Wheel</td>
</tr>
<tr>
<td>Edible Oil</td>
<td>84</td>
<td>Double Hiran mustard</td>
</tr>
<tr>
<td>Tea</td>
<td>77</td>
<td>Lipton Taaza</td>
</tr>
<tr>
<td>Washing powder/ liquid</td>
<td>70</td>
<td>Nirma</td>
</tr>
<tr>
<td>Salt</td>
<td>64</td>
<td>Tata Salt</td>
</tr>
<tr>
<td>Biscuits</td>
<td>61</td>
<td>Parle G</td>
</tr>
</tbody>
</table>

Source: ORG-MARG R Panel, Strategic marketing, July-August, 2002, pp.32

Distributing small and medium sized packets, in rural areas through underdeveloped infrastructure like poor roads, long distances, and inadequate pockets of rural India is a Herculean task. Sales force needs to be trained to win the confidence of the opinion leaders, who play an important role in popularizing the brand.

The techniques of promoting the product or brands in rural areas also need to be tailored to suit the expectations of the masses. Techniques that have proved to be successful include Van campaigns, edutainment films, generating word of mouth publicity through opinion leaders, colourful wall paintings, etc. The wide reach of
television has exposed the otherwise conservative audience of rural areas to westernization and modernisation.

Dynamics of rural markets differ from other market types, and similarly rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer. Rural markets and rural marketing involve a number of strategies, like client and location specific promotion, joint or cooperative promotion, bundling of inputs and partnership for sustainability.

1.4.1 Brand Building in Rural India

The foremost course in building a brand in rural markets is to adopt such a route which is sensitive and appropriate to the needs of a rural customer. The main attributes which are needed to build a brand in rural market as per (Majumdar, 1998) are as follows:

- **Build Customization**
  Customizing or reverse engineering the products to suit the needs of rural consumers is the key to success in the rural markets. One needs to go to the rural markets to find the wants, needs, aspirations and dreams of the rural consumer. One must hold talk with the villagers to understand their expectations and create a product that is relevant to their needs. The marketer not only needs to engineer a product that appeals to a rural consumer but also needs to go back to him for ratification of its relevance.

- **Building Empathy**
  Building Empathy for a product begins with the brand name. It is important to seek out a brand name that is vernacular, is in tune with the ethos of the market and the social milieu it will sell in. The same logic also applies to colour, the slogan and every other aspect of communication. The glitz and glamour of urban advertising, the sophisticated graphics used in the execution of the commercials are beyond the scope of comprehension of the average rural consumer.
• **Build Recognition**
While building recognition into a brand, there is a need to address the main issues, for example, protections against the widespread prevalence of duplicate brands and the need to demonstrate the use of product. Today, there are many brands in the rural markets which have same colour scheme, lettering and pack graphics as the popular brands, and the unsuspecting rural consumer becomes a victim to such duplicate brands. The marketer needs to make the rural consumer attentive by repeated communication of the original brand. The key to success lies in clearly demonstrating the use of the brand which remains critical element for the brand’s success in rural market.

• **Build Positive Word of Mouth**
Most of the villages consist of distinct ethnic or caste groups to which the families belong, forming strong homogenous rural communities. Marketers targeting the rural masses do well if they clearly identify the reference groups to build a positive word of mouth for the brand. Strong word of mouth can be build through executing customized events within the village revolving around the core message of a brand and showing the concern for the target group. Building a brand in rural India will continue to pose a biggest challenge to the marketing fraternity in the years to come. The art and science of brand building in rural market needs to become integral part of the learning process.

1.4.2 **Problems related to Rural Marketing**

The rural market though offers a vast untapped potential yet it is not easy to operate in rural market because of several problems. Rural marketing is a time consuming affair and requires considerable investments in terms of appropriate strategies with a view to tackle the problems. The various problems are as follows:
• **Barter system**
  In the developing country like India, even today the barter system i.e., exchange of goods for goods exists. This is a major hindrance in the way of development in the rural areas.

• **Underdeveloped people and underdeveloped markets**
  Though, efforts have been made by government to develop the agricultural technology, which in turn develops the people and markets in rural areas, yet the impact of the technology is not felt uniformly throughout the country. Some districts in Punjab, Haryana or Western Uttar Pradesh where rural consumer is somewhat comparable to its urban counterpart, there are large areas and groups of people who have remained beyond the technological breakthrough basically because of the high illiteracy and low awareness levels of rural masses. The farmers with small agricultural land holdings have been unable to take advantage of the new technology.

• **Lack of proper physical communication facilities**
  The infrastructure facilities available to majority of villages in India are skimpy which lead to high cost of physical communication to these villages. Many Indian villages become inaccessible during the monsoon season.

• **Inadequate Media coverage for rural communication**
  Despite the fact that, a large number of rural families today own radios and television sets, for those who don’t own personal radio or TV sets there are community radio and T.V. sets to diffuse agricultural technology in rural areas. Nevertheless, the lack of coverage relating to marketing impedes the communication process.

• **Many languages and dialects**
  India being a land of languages, the number of languages and dialects vary from state to state and region to region. This type of distribution of population warrants appropriate strategies to decide the extent of coverage of rural market.
• **Market organization & staff**

The size of the market organization and staff is very important, to exercise effective control on the market system. The existing organizational setup particularly at district and block level needs to be strengthened in order to make the services on various aspects available to the farmers timely and also easily accessible to them.

### 1.5 FMCG Sector in Rural India

Fast Moving Consumer Goods have always been attracting the Indian villagers. With the urban demands of the goods getting saturated, the manufacturing companies are taking this development as an opportunity to expand and diversify their businesses. Large FMCG companies including multinational companies are planning their own strategies to enter this large and developing rural market. The marketing strategies have to be tailor made to suit rural conditions. Leading companies in India have taken up a developmental approach to nourish this new market. The companies like Hindustan Levers Ltd, Godrej, Procter and Gamble, Nirma, Reckett and Coleman, Karnataka Soaps and Detergents Ltd. HLL have done pioneer work in developing FMCG products for rural market and initiating collaborative and innovative strategies. The brief description of the various key players in FMCG Sector with their products and share as a leader is tabulated (Table1.3) below:
Table: 1.3

A brief description of the Indian FMCG industry

Product wise Production

<table>
<thead>
<tr>
<th>Segment</th>
<th>Size</th>
<th>Key players</th>
<th>Share of market leader (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Household Care</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fabric wash market</td>
<td>50 (mn tones)</td>
<td>HLL, P&amp;G, Nirma, SPIC</td>
<td></td>
</tr>
<tr>
<td>Laundry soaps/bars</td>
<td>1102 (US$ mn)</td>
<td></td>
<td>38</td>
</tr>
<tr>
<td>Detergent cakes</td>
<td>15 (mn tones)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Washing powder</td>
<td>26 (mn tones)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dish wash</td>
<td>93 (US$ mn)</td>
<td>HLL</td>
<td>59</td>
</tr>
<tr>
<td><strong>Personal care</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oral care</td>
<td>537 (US$ mn)</td>
<td>Colgate Polmolive, HLL</td>
<td>40</td>
</tr>
<tr>
<td>Skin care &amp; cosmetics</td>
<td>274 (US$ mn)</td>
<td>HLL, Dabur, P &amp; G</td>
<td>58</td>
</tr>
<tr>
<td>Hair care</td>
<td>831 (US$ mn)</td>
<td>Marico HLL, CavinKare P&amp;G, Dabur, Godrej</td>
<td>54</td>
</tr>
<tr>
<td><strong>Food and Beverages</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tea</td>
<td>870 (000 tonnes)</td>
<td>HLL, Tata Tea</td>
<td>31</td>
</tr>
<tr>
<td>Coffee</td>
<td>20 (000 tonnes)</td>
<td>Nestle, HLL, Tata Tea</td>
<td>49</td>
</tr>
<tr>
<td>Branded atta</td>
<td>750 (000 tonnes)</td>
<td>Pillsbury, HLL, Agro Tech, Nature Fresh, ITC</td>
<td>15</td>
</tr>
<tr>
<td>Culinary products</td>
<td>326 (US$ mn)</td>
<td>HLL, Nestle</td>
<td>78</td>
</tr>
<tr>
<td>Edible oil</td>
<td>13 (mn tones)</td>
<td>Ruchi Soya, Marico, ITC, Agrotech</td>
<td>28</td>
</tr>
</tbody>
</table>

Source: http://www.indianmba.com/Faculty_Column/FC906/fc906.html
The major rural sales promotion tools for FMCG products are: Free samples, cash rebates or discounts, gifts, contests, prizes, games, product warranties, free trials, sale counter displays, and trade promotion to stimulate wholesalers, retailers, and field workers with gifts and awards.

The trend of FMCGs in rural India is growing at a fast pace. For example in 1998-99, 140 households per thousand were consuming health beverages. In 2001-02, the number touched 175 households per thousand and in 2006-07, 247 households per thousand have consumed health beverages, according to NCAER. Another category on the growth path within the foods sector is that of packaged biscuits. From an observed penetration level of 349 per thousand households in 1998-99, the category's penetration has gone up to 480 per thousand households in 2006-07. Among personal care products, while toilet soaps have reached saturation, there is immense potential for penetration of shampoos in Indian households, according to NCAER. Shampoo penetration has grown from 314 per thousand households in 1998-99, to 502 per thousand households in 2006-07. The penetration of washing powder has also gone up from 660 per thousand households in 1998-99, to 770 per thousand households in 2006-07. (Ranade, 2005)

Meanwhile, the rural consumer continues to have scant regard for brand loyalty, according to Mr R.K. Shukla, Senior Statistician, NCAER. “It is smaller pack sizes, functional products, value for money, reluctance to shift from one brand to another and zero brand consciousness that continue to call the shots here” (The Hindu, 2002).

The main problem that is being faced by rural population is the shortness of reach of mass media. India being a large country with majority of its citizens living in rural areas, improper advertising seems to be a complex problem. There are not many dailies in circulation nor do many own a radio, transistor or a TV set. The mass media gap in India is as conspicuous as the income gap. Therefore, there is a need for extending basic infrastructure with the view to enlarge the reach of mass media in rural India (Ratna, 2002).

India is the second largest consumer market in the world with over 1 billion potential consumers and therefore, many companies are now seeing India as a fertile ground for expansion and growth of their market (Table 1.4).
Table 1.4
Rural - urban penetration and per capita consumption

<table>
<thead>
<tr>
<th>Category</th>
<th>Market size (US $ million)</th>
<th>Urban penetration (%)</th>
<th>Rural penetration (%)</th>
<th>Total penetration (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fabric wash</td>
<td>1210</td>
<td>89.6</td>
<td>82.9</td>
<td>84.9</td>
</tr>
<tr>
<td>Personal wash</td>
<td>938</td>
<td>79.9</td>
<td>90.7</td>
<td>92.8</td>
</tr>
<tr>
<td>Packet Tea</td>
<td>635</td>
<td>91.2</td>
<td>82.2</td>
<td>84.9</td>
</tr>
<tr>
<td>Toothpaste</td>
<td>409</td>
<td>69.8</td>
<td>32.3</td>
<td>43.5</td>
</tr>
<tr>
<td>Skin</td>
<td>312</td>
<td>36.6</td>
<td>19.8</td>
<td>24.7</td>
</tr>
<tr>
<td>Hair wash</td>
<td>230</td>
<td>40.1</td>
<td>16.3</td>
<td>23.3</td>
</tr>
<tr>
<td>Talcum powder</td>
<td>148</td>
<td>66</td>
<td>36.8</td>
<td>45.1</td>
</tr>
<tr>
<td>Branded Atta</td>
<td>107</td>
<td>44</td>
<td>30.2</td>
<td>34.3</td>
</tr>
<tr>
<td>Ketchups</td>
<td>25</td>
<td>12.5</td>
<td>0.7</td>
<td>4.2</td>
</tr>
</tbody>
</table>

Source: http://www.indianmba.com/Faculty_Column/FC906/fc906.html

1.5.1 Challenges and Innovations in Rural Markets

The Indian rural market has a vast size and demand base that offers a huge opportunity that FMCG players cannot afford to ignore. Among the Multinational Companies, that have made some advances are Hindustan Lever, Coca-Cola, LG Electronics, Britannia, Standard Life, Philips, Colgate Palmolive and the foreign-invested telecom companies. With 128 million households, the rural population is nearly three times the urban. As a result of the growing prosperity, fuelled by monsoons and the increase in agricultural output to 200 million tonnes from 176 million tonnes in 1991, rural India has become a large consuming class with 41 per cent of India's middle-class and 58 per cent of the total disposable income” (NCAER, 2008)
Nearly, half of the total market for TV sets, fans, and pressure cookers, bicycles, washing soap, blades, tea, salt and toothpowder is confined to the rural markets but for catering to the needs of rural consumers multinational companies are meeting the consequent challenges of availability, affordability, acceptability and awareness.

“Growth in the rural markets is the most significant feature of the marketing environment of India in recent years. The growth implies at once a great marketing opportunity as well as great marketing challenge. Today, the rural market of the country accounts for a large share of the expenditure on manufactured and branded consumer goods. The rural market of India is fascinating and challenging at the same time. It offers large scope on account of its sheer size and potential. Even a gradual growth pushes up the sales of a product substantially, in view of the huge base. The market pioneers are being getting rewarded by capturing the rural markets. Simultaneously, due to the problems and hurdles posed by rural markets, the firms have to directly encounter them and put in a great deal of effort to get a sizeable share of the market. They need to recognize that rural market is a developing market. It is often said that markets are made, not found. This is especially true of the rural market of India. It is a market meant for the truly creative marketers” (Ramaswamy and Namakumari. 1995).

1.6 Need of the Study

The purpose of this research is to address the previously noted gaps in our knowledge regarding FMCGs advertising. Review of literature (Chapter II) reveals that neither the existence of FMCGs advertising in rural area nor its effectiveness has been examined empirically. Recently a few studies pertaining to advertising and its effectiveness have come up in India with many encouraging results. Yet to date there has been no valid measure of effectiveness of FMCGs advertisements in rural markets. Although a general view is gained on how important the advertisement is to the success of the company, yet no indication is obtained on its relative importance for FMCG sector in rural markets.

The void stated above is important because many big players like HLL, P&G, Coca-Cola, LG etc. are making fast moves and huge investments in tapping the rural markets.
The study will add to the body of knowledge in management education as most of the extant understanding of management is based on American markets, as documented by American researchers, which do not have a great deal to do with realities of the Indian markets. The results of this exploratory study will provide pioneering insight into the study of FMCG advertising effectiveness in rural areas.

1.7 Objectives of the Study

1. To study the extent of exposure and level of awareness of respondents towards advertising.
2. To analyse the brand consciousness and perceived effects of advertisements on purchase of various brands of toiletries.
3. To evaluate the role of television advertising and its effect on the lifestyles of rural consumers.
4. To study the role of elements of promotion mix in influencing the rural consumers and to analyse the trustworthiness attached by rural consumers towards the elements of promotion mix.
5. To study the strategies adopted by various selected FMCG organizations in rural markets.