Chapter I

INTRODUCTION
“If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value conscious consumers a whole new world of opportunities will emerge” C.K. Prahalad

1.1 Introduction

Consumer behaviour is the study of when, why, what and how people do buy or do not buy a product. It aims to understand the buyer decision making process both individually and also in groups. The consumer evaluates various alternatives before finalizing a particular product. Once the alternatives have been evaluated, then the consumer makes the purchase decision. Sometimes the purchase intention does not result in actual purchase. So, to be successful in the market place, understanding consumer behaviour is essential. These points hold good for both urban and rural consumers. But, rural markets need exclusive product and marketing strategies. One needs to understand the psyche of rural consumers well before aspiring to cater the rural consumers.

Rural markets have become the cynosure of every marketer as the sheer size of it, entices marketers in its direction. Some companies have re-engineered products, pricing and packaging to customise features and value relevant for these markets. “For instance, LG has Sampoorna, a customised TV; Godrej soaps have introduced 50-gm packs and Samsung has launched Guru - a mobile that can be charged with solar energy. Some players have developed new communication and distribution channels within the hinterland (HUL's Project Shakti; Tata Tea's 'Gaon Chalo') and some have created completely new products”1.

Some FMCG companies have increased their hiring in rural India and small towns to establish a local connect and increase more visibility.
The growth of FMCG in rural markets has outpaced the urban markets. In fact, for many MNC giants, rural markets have helped to regain lost profits and slump in sales in the urban markets, because of reasons such as competition and poor brand loyalty among urban consumers. India’s rural markets have seen a lot of activity in the last few years. Since penetration levels are very difficult in most urban areas, future growth can come only from deeper rural penetration and higher consumption. As rural income increases and distribution network improves (in line with road development projects), the penetration levels are set to increase. At present, urban India accounts for 66% of total FMCG consumption, with rural India accounts for the remaining 34%. However, rural India accounts for more than 40% of the consumption in major FMCG categories such as personal care, fabric care and hot beverages.

Regardless of the presence of big MNCs, the unorganized sector has a substantial market share in the rural areas. Unorganized players offer a higher margin to stockiest to increase market share. To gain foothold in the rural markets, companies have to beef up their distribution channels to penetrate deep and also required to invest hefty sums in promoting brands.

Companies may also think of integrating backwards to be more cost efficient. The benefit of such practice will enable companies to cut cost and pass on the benefit to the rural consumers. The growth in this sector is volume led and hence it is all the more appropriate to target the rural markets which has the volume as robust consumerism is also seen in rural markets. It is said that the size of India’s rural market is bigger than the countries such as Australia, Canada and many more.

A clear and distinct approach product, place, pricing and promotional strategy towards rural consumers and markets would ensure success of Corporate.
1.2 STATEMENT OF THE PROBLEM

Rural marketing offers ample opportunities and a variety of problems for the marketers. Marketers have very little idea about rural places and rural people. Their buying habits, product-brand preference, affordability, attitude, awareness levels, knowledge levels are completely different from that of their urban consumers. Today’s marketers look at rural markets as a place where they can sell their surplus. Hence, marketers don’t take sincere efforts in marketing to rural consumers.

Marketers have a lot of myth about the rural markets and rural consumer behaviour, about the potential that exists in rural market and also regarding their taste and preferences.

Rural consumers on the other hand feel that they are not being addressed properly by the companies. They feel that the companies undertake the same marketing tools that are used in the urban markets and also have the opinion that the products that are typically made for the urban market may not be suitable in the rural places. In spite of the fact that several companies have already tasted success in the rural markets, still many of them struggle. Several companies have some assumptions about the rural market conditions and the nature of rural consumers. Based on the assumptions companies decide on the pricing, packaging, promotions and place strategies. Companies spend blindly on certain areas of marketing such as brand promotions, celebrity endorsements, targeting the rural consumers without understanding the usefulness of it. Is it worth spending based on assumptions is something worth knowing as it can save unwanted expenses and also give a better picture about rural consumers. Companies have certain vague idea about the rural consumers. How costly it can be to the company? Rural consumers started showing positive signs towards consumption of certain products. Are these being noticed by the
companies? Rural consumers are still reluctant about usage of certain products. What could be the reason for non usage of certain product category? Is it because they are not aware? Or is it because of lack of purchasing power or is it because of some other reason? If only companies know for what and which aspects of marketing mix, rural consumers give importance to, they can be served better.

1.3 THE NEED FOR THE STUDY

Marketers look at rural market as a dump yard of their surplus. Marketers are typical in their marketing approach towards the rural markets and consumers. Even according to the recent census, 70% of India still lives in rural places and account for a huge market. Rural places are the backbone of the nation and still contribute substantially to the GDP on the country. The Indian rural market right now is the best trading ground for both Indian and multinational corporations. A burgeoning, untapped market estimated at nearly 150 million stretching across the length and breadth of the Indian subcontinent. The vision has long fascinated by Indian organizations as well as MNCs. And now, the dream is blazing brighter than ever as the Indian rural bazaar is displaying a market trend towards consumerism, outpacing the urban market in its ever-increasing demand for all categories of products especially the FMCG. Even in the field of automobiles rural market has fared well. “It’s astounding… the rural market is now speaking the voice of the city. Our sales have recorded a near hundred per cent jump in the countryside during the last year,” remarked Maruti Udyog Limited’s marketing director Jagdish Khattar.

This has been primarily attributed to a spurt in the purchasing capacity of farmers now enjoying an increasing marketable surplus of farm produce. The Indian rural Fast Moving Consumer Goods or FMCG market is expected to swell more than ten times to reach the $100...
billion mark by 2025, according to a fresh study by the marketing and advertising research firm, The Neilson Company\(^3\).

When such a rapid growth is expected in future, companies which are in the business of FMCG will have to devise a strategy to cater to this segment. The attitudinal change among rural consumers towards preference of various, Fast Moving Consumer Goods should be understood by the marketers. Rural consumers over the years, they have developed a certain taste and style. With the presence of 12.2\% of the world population in the villages of India, the Indian rural FMCG market is something no one can overlook\(^4\).

So when such a huge potential exist in the rural markets it is imperative for the marketers to have good understanding of the consumers there. Rural Marketing has plenty of opportunities as well as challenges. Several companies find the going tough in rural markets. So far, there is no substantial research in this area by the academia as well as the industry. Marketers need to understand the attitude, awareness, affluence, buying patterns; choice determinants etc., to tailor make the marketing strategies specifically to the rural market. So a study in this regard will go a long way in gaining understanding and success in rural markets.

1.4 OBJECTIVES OF THE STUDY

1) To know the opportunities and challenges in rural markets

2) To find out the relationship between demographic factors and the consumption of the FMCG category chosen for the study

3) To understand the product preference towards select FMCG

4) To know the brand loyalty, media motivation and celebrity influence in buying of FMCG
5) To understand the usage and awareness towards specific brands of FMCG

1.5 METHODOLOGY

This section provides the vital information regarding collection of primary data and secondary data, sampling design, sample size, statistical tools and pilot study.

1.5.1 PRIMARY DATA

This study is based on mostly from primary sources. However secondary data was also collected from some aspects of the study. To understand the awareness, affordability, brand/product choice determinants were collected directly from the rural consumers. The respondents comprise of farmers, employees, businessmen, daily wagers, housewives and students from the rural places. The primary data was collected through a structured questionnaire (please refer Annexure)

1.5.2 PILOT STUDY

The questionnaire of the study was designed in two stages. In the first stage a pilot study was made by circulating the designed questionnaire amongst the respondents in Keeranatham village. The respondents answer to the questionnaire was then matched with the objective of the study and necessary changes were incorporated in the final questionnaire. The pilot study was very useful in refining the questionnaire.

1.5.3 SECONDARY DATA

The secondary data were collected from the published and unpublished sources. Published sources of data were collected from text books, articles pertaining to the subject,
newspapers etc. Good amount of news items, articles and published material from the web, E-Journals were also referred.

**1.5.4 SAMPLING DESIGN**

Tamil Nadu has a right proportion of population mix. In Tamil Nadu the researcher has chosen Coimbatore district for collection of primary data. It is the native district of the researcher and hence has the advantage of the language, familiarity and accessibility.

The study has been conducted in Coimbatore district. Four different villages from the four directions of the district namely East, West, South and North were selected at random. A total of 500 samples were interviewed. 125 respondents from each village has been purposively selected with a view to analyse from the point of view of Age, Sex, Income, Educational qualification, Occupation etc. Thus the total sample size from the four villages comes to 500. FMCG product categories were taken for the research purpose. In FMCG, three product categories were taken from personal care, oral care and health drink.
1.5.5 SAMPLE POPULATION

In Coimbatore district each village was allotted 125 interview schedules in the ratio of 25:25:25:25. The sample size was equally distributed i.e. 125 respondents in each village. The villages selected for the study were a) Pappampatti b) Annaikatti c) Gomangalam and d) Keeranatham. From the East of Coimbatore the village Pappampatti was selected, from the west of Coimbatore the village Annaikatti was selected, from the south of Coimbatore the village Gomangalam was selected, and from the north of Coimbatore the village Keeranatham was selected. All the four places fall under the rural classification according to the 2001 census. A total of 500 samples were interviewed in rural areas selected purposively with a view to analyse from the point of view of age, sex, educational qualification, occupation, income, taste and preference etc.,

The researcher submits his gratitude to all the respondents who had cooperated with the researcher in filling the interview schedule. The spread of the interview schedule is given in the table1.1.
Table: 1.1 Sample size

<table>
<thead>
<tr>
<th>Name of the Villages</th>
<th>Direction</th>
<th>No. of Respondents</th>
<th>Percentage to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pappampatti</td>
<td>East</td>
<td>125</td>
<td>25.0</td>
</tr>
<tr>
<td>Annaikatti</td>
<td>West</td>
<td>125</td>
<td>25.0</td>
</tr>
<tr>
<td>Gomangalam</td>
<td>South</td>
<td>125</td>
<td>25.0</td>
</tr>
<tr>
<td>Keeranatham</td>
<td>North</td>
<td>125</td>
<td>25.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>500</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary data

1.5.6 TOOLS OF ANALYSIS

Percentage analysis, chi-square test, ANOVA F - test and t - test were used to analyse the data. Chi square test was done to test the significant difference between the expected frequencies and the observed frequencies in many categories. In this study Chi-Square test is used to test significant relationships between Personal factors and Consumption of FMCG. t - test is used to find significant differences in specified personal factors and consumption of FMCG. The ANOVA technique is important in the context of all those situations where we want to compare more than two populations. In this study, ANOVA is used to study significant differences in selected personal factors and Consumption of FMCG.
1.6 HYPOTHESIS

Keeping in mind the necessity to understand the Rural Consumer Behaviour, the researcher has formulated the following hypothesis. Some of the important hypothesis are listed below. The selected FMCG categories were a) Tooth Paste/Powder b) Health Drink and c) Toilet Soap.

1) No significant relationship exist between age and consumption of FMCG

2) No significant relationship exists between educational qualification and consumption of FMCG

3) No significant relationship exist between gender and consumption of FMCG

4) No Significant relationship exists between monthly family income and consumption of FMCG

5) No significant relationship exists between age and importance given to discounts/promotional offers

6) No significant relationship exists between gender and importance given to discounts/promotional offers

7) No significant relationship exists between size of the family and importance given to discounts/promotional offers

8) No significant relationship exists between educational qualification and importance given to discounts/promotional offers.
9) No significant relationship exists between occupation and importance given to discounts/promotional offers

10) No significant relationship exists between no. of earning members and importance given to discounts/promotional offers

11) No significant difference among the age groups and the average rating given for FMCG

12) No significant difference among the gender and the average rating given for FMCG

13) No significant difference among the size of family and the average rating given for FMCG

14) No significant difference among the educational qualification and the average rating given for FMCG

15) No significant difference among the occupation and the average rating given for FMCG

16) No significant difference among the same brand usage and the average rating given for FMCG

17) No significant difference among the awareness of brands in FMCG and the average rating given for FMCG

18) No significant difference among the monthly family income and the average rating given for FMCG

1.7 LIMITATIONS OF THE STUDY

The limitations of the study may be listed as

1. All the variables pertaining to the research has been taken from primary data only.
2. The study was limited to Coimbatore District only

1.8 FRAME WORK OF THE REPORT

The study is organized into six chapters listed as below

Chapter I Introduction

Consists briefing on Rural Marketing, its potential, statement of the problem, the need for the study, objective of the study, methodology of the study, hypothesis, limitations and the method work of the report.

Chapter II Review of Literature

Enumerates the discussions and deliberations on past research studies, articles relating to Rural Marketing

Chapter III Rural Marketing Opportunities & Challenges in the FMCG Sector

Records the importance of Rural Marketing, its meaning and its growing necessity, present status of rural marketing initiatives, significance of rural marketing in a competitive market, its potential and the challenges that are specific to rural markets.

Chapter IV Consumption of FMCG in Rural Areas – A Classified Analysis

Brings out the analysis on consumption of FMCG in rural areas with the demographics of rural consumers.
Chapter V Rural Consumer Behaviour & Product Preference

Brings out the analysis on consumer buying habits, their Product preference with percentage analysis.

Chapter VI Findings, Suggestions & Conclusion

Briefs the findings of the study, suggestions for serving the rural consumers and scope of the study.
References


