CHAPTER - I
INTRODUCTION AND DESIGN OF THE STUDY

Introduction

Rural marketing is a process of delivering better standard of living and quality of life to the rural environment taking into consideration the prevailing rural milieu. The rural market with its vast size and demand base offers great opportunities to marketers. Two-thirds of Indian consumers live in the rural areas and almost half of the national income is generated in rural market. Rural marketing has a scenario which is entirely different from that of the urban market. According to National Council for Economic Research, the market penetration of Fast-Moving Consumer Goods (FMCG) in rural India is on increase. The products which have the quick turnover and relatively low cost are known as fast-moving consumer goods that have replaced already existing similar products within a year.

The rural markets are estimated to be growing fast compared to the urban markets. The potentiality of rural markets is said to be like a ‘woken-up sleeping giant’. The words on everybody’s lips are ‘the real India lives in the villages’. All smart marketers, Indian as well as MNCs have revered this gospel. Companies such as Hindustan Lever, Godrej, Colgate Palmolive, Parle Tools, Malhotra Marketing, Nirma are on the rise in marketing their products in the rural areas and they are paving their unbelievable route to unimaginable growth and development. New approaches, new strategic alternatives and new operational techniques are being evolved to gain competitive advantage. ‘The rural population is also aspiring for better lifestyles, especially with the increasing disposable incomes accruing to a significant section of them. About 280 million people live in urban India, whereas 742 million people who reside in rural areas comprise 72 per cent of India’s population from 6,27,000 villages’.

The size of the rural markets is estimated to be 42 million households and rural market has been growing at five times the pace of the urban market due to more government rural development initiatives, low literacy rates, increasing agricultural productivity leading

to growth of rural disposable income and lowering the difference between taste of urban and rural customers. The FMCG category is also witnessing severe competition like US markets. A number of sales promotion offers are made ranging from simple price-offs to innovative contests and gift offers to lure deal-prone consumers. All kinds of brands (international, national, regional and local) in a given category design innovative sales promotion offers to attract consumers.

The rise of rural market has been the most important marketing phenomenon of 1990, providing volume growth to all leading companies. Many corporates have been trying to get a grip on the rural markets, but the challenges are many i.e. how to make the product affordable, how to penetrate villages with small population, connectivity, communication, language barriers, spurious brands etc.

The reasons why companies are going rural are manifold. Higher rural income driven by agricultural growth, increasing enrolment in primary schools, high penetration of TV, and other mass media have increased the propensity to consume standard and value added products in rural areas. Most fast-moving consumer goods companies (FMCG) in India are introducing customised products especially for rural areas. Thus, the sales of FMCG products in rural markets is growing at a fast pace. Even faster than that in urban markets. Marketers and manufactures are increasing the awareness of the burgeoning purchasing power vast size and demand base of the once neglected Indian hinterland. Efforts are now on to understand the attitude of rural consumer, and to walk their walk and talk their talk.

While entering the rural market companies are also resorting to corporate social responsibility activities. Thus helping the poor not only to augment their income but also prompt their product. For example, Hindustan Unilever Project Shakti not only brings revenues to the company but also assists poor rural woman to become income earners by selling the company’s product in the rural hinterland. It provides entrepreneurial opportunity and thus improves the living standard of rural women. It is a winning partnership deal between the company and the consumers.

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LG electronics, Coca Cola, Hindustan Unilever, Britannia, Philips, Colgate, ITC, and LIC are among these companies which have a very significant presence in the Indian Rural Market\(^3\).

**Facts about the Indian Rural Market**

The following facts are gathered from the analysis done by National Council for Applied Economics Research. (NCAER)

1. Rural India constitutes 70 per cent of India’s total population.
2. It accounts for 56 per cent of national income.
3. It contributes to one-third of India’s total savings.
4. It accounts for 64 per cent of total expenditure.
5. Rural economy is estimated to reach a size of Rs.18 trillion by 2012 – 13 as against Rs.12 trillion in 2007 – 2008.
6. Rural consumers’ share of total ownership of low cost items like bicycles, pressure cookers and watches during 1995 – 96 was 60 per cent.
7. The share of rural India in the (FMCG) market is around 53 per cent and is expected to reach 60 per cent in future.
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In spite of the lower penetration (Table I) and lower per capita purchase of consumer goods by rural people when compared to that of urban Indians, marketers are attracted towards rural markets because of large population (Table II).

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\(^3\)Dr. R.L. Ladddha and Mr. Rupesh S. Shah. Volume, A study of consumer Goods Marketing to Indian rural Consumers. II, ISSUE - [March 2012].
Table No. 1.1

Table Showing the Consumer Goods Presentation Percentage

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Product Category</th>
<th>All India per cent</th>
<th>Urban per cent</th>
<th>Rural per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Deodorant</td>
<td>2.1</td>
<td>5.5</td>
<td>0.6</td>
</tr>
<tr>
<td>2</td>
<td>Toothpaste</td>
<td>48.6</td>
<td>74.9</td>
<td>37.6</td>
</tr>
<tr>
<td>3</td>
<td>Skin Cream</td>
<td>22.0</td>
<td>31.5</td>
<td>17.8</td>
</tr>
<tr>
<td>4</td>
<td>Shampoo</td>
<td>38.0</td>
<td>52.1</td>
<td>31.9</td>
</tr>
<tr>
<td>5</td>
<td>Utensil Cleaner</td>
<td>28.0</td>
<td>59.9</td>
<td>14.6</td>
</tr>
<tr>
<td>6</td>
<td>Instant Coffee</td>
<td>6.6</td>
<td>15.5</td>
<td>2.8</td>
</tr>
<tr>
<td>7</td>
<td>Washing Powder</td>
<td>86.1</td>
<td>90.7</td>
<td>84.1</td>
</tr>
<tr>
<td>8</td>
<td>Detergent Powder</td>
<td>88.6</td>
<td>97.4</td>
<td>87.4</td>
</tr>
</tbody>
</table>

Source: NCAER

Table No. 1.2

Table Showing the Comparative Sizes of Rural and Urban Markets

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Particulars</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Population 2001 - 2002 (Million Households)</td>
<td>53</td>
<td>135</td>
</tr>
<tr>
<td>2</td>
<td>Population 2009 - 2010 (Million Households)</td>
<td>69</td>
<td>153</td>
</tr>
<tr>
<td>3</td>
<td>per cent of All India Population</td>
<td>28</td>
<td>72</td>
</tr>
<tr>
<td>4</td>
<td>Market (Number of Towns / Villages)</td>
<td>3768</td>
<td>627000</td>
</tr>
</tbody>
</table>


The Indian FMCG sector is the fourth largest in the economy. Indian FMCG market has been divided for a long time between the organized sectors. Unlike the US market the FMCG market remains highly fragmented with roughly half the market going to unbranded, unpackaged homemade products. This presents a tremendous opportunity for makers of brand products who can convert consumers to buy branded products.
At present, urban India accounts for 66 per cent of total FMCG consumptions, with rural India accounting for the remaining 34 per cent. However, rural India accounts for more than 40 per cent of consumptions in major FMCG categories such as personal care, and hot beverages. In urban areas, home and personal care category including skin care, household care and feminine hygiene will keep growing at relatively attractive rates. Within the food segment, it is estimated that processed foods, bakery, and dairy are long-term growth categories in both rural and urban areas.

As a general rule marketing involves more intensive personal selling efforts compared to urban marketing. Marketers need to understand the psyche of the rural consumers and then act accordingly. To effectively tap the rural market a brand must associate it with the same things the rural folks do. The study of consumer’s behaviour is essential for marketers to understand consumers to survive and succeed in the competitive marketing environment in day-to-day life. In these days, the rural market is one of the best opportunities for FMCG sector in India. It is more guided and less competitive market for the FMCG. As the income level of the consumer increases, the demand for the FMCG also increases continuously.

The consumer research in the rural market is necessary to know about the purchase behaviours of FMCG goods. In tune with rising demand for fast-moving consumer goods in rural areas. The study revolves around purchase behaviour of the rural consumers. Aspects of consumer behaviour such as the usage quantity demanded, pattern of purchase of FMCG were completely different in rural markets compared to urban markets. It throws light on reach of brands in rural area preference towards it.

“Go Rural” the new marketing mantra – all corporate companies agreed that the rural market is the key to survival in India. The real India lives in villages to be precise. This is where the fortunes of many of Indian biggest corporations are likely to be shaped. To expand the market by tapping the countryside, more and more MNCs (Multi National Corporations) are opting to go for the rural market. Time was when only a selected household consumed branded, consumed goods, be it tea or jeans.

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4 Ibid., pp. 181-197.
**Statement of the Problem**

The FMCG sector has been successful in selling products to the lower and middle income groups and the same is true in India. The core problems of the study were constructed on the basis of the low income group and middle income group customers. This sector is a cornerstone of the Indian economy. This sector touches upon every aspect of human life. Indian FMCG market has been divided for a long time between the organized sector and the unorganized sector. Over 70% of sales are made to middleclass households today and over 50% is in rural India. The sector is excited about a mushrooming rural population whose income is rising and who are willing to spend on goods designed to improve their lifestyle. At present there is a tremendous opportunity for manufacturing branded products and consumers can be persuaded to buy branded products. The new entrants in this market have highlighted a stiff competition in key segments like Toilet soap, Shampoo, Talcum powder, Tooth paste by the foreign companies, which directly affects the profitability position of Indian brands. On the other hand, a large part of the branded market is continuously threatened by spurious goods and illegal foreign goods.

The consumption level of the FMCGs highly fluctuates depending upon the product price increasing trend, inflationary condition and low financial inclusion of the rural people. Demand and supply of the FMCG in the rural area mostly depend on agricultural income. An obvious change is observed from saving culture to spending culture among the rural population. It has shown a positive sign in consuming more FMCGs. But the rural sector has affected rural India. This speaks for itself, highlighting the expectation and growth of FMCGs. At this juncture, it is necessary to study the rural buyer behaviour of FMCGs in the study area.

**Scope of the study**

In the present study, the consumers of Toilet soap, Shampoo, Talcum powder, Tooth paste are selected as respondents from Krishnagiri District of Tamilnadu. Thus, the study gives due representation to different products of FMCG. It is generally accepted by all the corporate companies that the rural market is the key for their survival, and they have firmly taken the mantra “GO RURAL” in order to keep the business instinct afloat. There can be no

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doubt that a real India lives in its villages. It is the place where all Multi-National Corporations can hope to pitch for their competition and survival.

The rural consumer is growing and this is an opportunity to grab the market share for all the global players in the market—whether it is into Fast-Moving Consumer Goods (FMCG) sector or retail sector.

Objectives of the Study
1. To understand the profile of the rural buyers of Fast-Moving Consumer Goods market in Krishnagiri district.
2. To assess the awareness of the buyers about the brands and products of selected FMCGs in the study area.
3. To analyse the pattern of purchase and influencing factors of FMCGs in the study area.
4. To assess the post-purchase behaviour of the rural buyers in the study area.
5. To examine the level of satisfaction of the rural buyers in the study area.
6. To offer summary of findings, suggestions and conclusion.

Need for the study
The success of a brand in the Indian rural market is as unpredictable as rain. It has always been difficult to gauge the rural market. Many brands, which should have been successful, have failed miserably. Rural marketing involves more intensive personal selling efforts compared to urban marketing. Marketers need to understand the psyche of the rural consumers and then act accordingly.

To effectively tap the rural market a brand must associate it with the same things the rural folks do. As the income level of the consumer increases, the demand for the FMCG also increases continuously.6

The consumer research in the rural market is necessary to know about the purchase behaviour of FMCG goods. In tune with raising demand for Fast-Moving Consumer Goods in

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rural areas, the study revolves around purchase behaviour of the rural consumers. Aspects of consumer behaviour such as the usage, quantity demand pattern of purchase of FMCG were completely different in rural markets compared to urban market. It throws clear lights on the possibility of tapping the business for their brands as well as the area preferences of the rural consumers.

**Research Methodology**

The validity of any research is based on the systematic method of data collection and analysis. The present study uses only primary data. The primary data have been collected from 300 buyers, each 30 samples from 10 Panchayat Unions of Krishnagiri District by using Multi-Stage Random Sampling Method. The first stage is to select the Krishnagiri District, the most village-intensive district among all other districts of Tamilnadu and the second stage is to select the revenue taluks in the Krishnagiri district. Out of 5 Revenue taluks only 3 Revenue taluks which include more rural-based areas are selected like Krishnagiri (142 Villages), Hosur (176 Villages) and Uthangkarai (185 villages). The third stage is to identify the sample villages like, 28 villages (142/503 X 100) from Krishnagiri, 35 villages (176/503 X 100) from Hosur and 37 Villages (185/503 X 100) from Uthangkarai, by giving equal proportion and the last stage is the identification of the sample respondents. Three respondents from each villages, totally 300 respondents [(28+35+ 37) X 3 = 300] were identified and selected as sample respondents. The information relating to the FMCG companies in India has also been collected by using the secondary sources like some of the relevant books, journals, magazines and some websites. The distribution of sample selection is presented below.
Table No. 1.3
Table Showing the Selection of Sample Taluks, Villages and Respondents

<table>
<thead>
<tr>
<th>District</th>
<th>Taluks</th>
<th>Villages</th>
<th>No. of Respondents</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Krishnagiri</td>
<td>Hosur</td>
<td>35</td>
<td>3</td>
<td>105</td>
</tr>
<tr>
<td></td>
<td>Krishnagiri</td>
<td>28</td>
<td>3</td>
<td>84</td>
</tr>
<tr>
<td></td>
<td>Uthangkarai</td>
<td>37</td>
<td>3</td>
<td>111</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>3</td>
<td>300</td>
<td></td>
</tr>
</tbody>
</table>

Period of the study

The primary data were collected during the year 2012-2013 and the information relating to the FMCG companies were collected for the period of five years, i.e. from 2009-2010 to 2013-2014.

Statistical Tools used for Data Analysis

After the completion of data collection from the field, the filled-up interview schedule was compiled to make them ready for coding. A Master Table was prepared in the excel sheet to sum up all the information contained in the interview schedules. Classification Tables were prepared with the help of the Master Table.

The Statistical tools, namely 1. Weighted average 2. Analysis of variance, 3. Chi-square tests, 4. Garrett rank technique, 5. Factor analysis, and 6. Discriminant function were employed for analysis and interpretations of data to get the first-hand information from the respondents.
Limitations of the study

The present study is subject to the following limitations:

1. The present study is limited to FMCG companies and the products of Toilet soap, Shampoo, Talcum powder and Tooth paste only.
2. The sample groups have been restricted to the rural areas of Krishnagiri district only.
3. The findings of the study may be generalized to the Krishnagiri district only.
4. The sample size is restricted to 300 respondents.

Chapter Scheme

The First chapter deals with Introduction, Statement of the problem, Scope of the study, Objectives of the study, Period of the Study, Need for the study, Research Methodology, sources of data, Data Collection, Sampling Techniques, Statistical tools used for data analysis, Limitations of the study and Chapter scheme.

The Survey of Literature of earlier studies presented in the Second chapter.


Profile and Performance analysis of FMCG companies in India is presented in the Fourth chapter.

Analysis and Interpretations of data are presented in the Fifth chapter.

The Sixth chapter covers summary of findings, suggestions and conclusion.