CHAPTER I
DESIGN AND EXECUTION OF THE STUDY

1.1 INTRODUCTION

The liberalization of the Indian economy had far reaching consequences, which led to entry of global brands in the Indian markets. Earlier companies focused their marketing efforts towards the urban markets targeting the educated consumer. However with the saturation of markets in the urban sector, many companies focused their attention towards the fast growing rural sector. And also the rural markets in India are still evolving, and the sector poses a variety of challenges. The consumption patterns, tastes and needs of the rural consumers are entirely different from that of urban consumers. While it is evident that urban Indian has adapted much faster than the rural consumer due to higher exposure of media and changing life style, the rural consumers are not far behind (Vidyavathi 2008). Hence the buying behaviour of rural consumers has become a hot topic for discussion because rural India, in recent days, is enthusiastically consuming everything from shampoo to motor cycles and this “rural predilection” is being considered as one of the significant topics of market analysis (Arpita Khare 2010).

Rural India constitutes ‘the heart of India’, generating more than half of the national income. According to Mckinsey Global Institute’s Report, “ the bird of gold : the rise of India’s consumer market” (may 2007), 63 percent of India’s population will still live in rural areas in 2025, but rural consumption will nonetheless accelerate from a compounded annual rate of 3.9 percent over the past two decades to 5.1 percent during the next two. Aggregate rural consumption which had increased from Rs. 4,498 bn in 1985 to Rs. 9,688 bn by 2005 is projected to gallop to a figure of Rs. 26,383 bn by 2025! (Arpita Srivastava 2008).
1.2 RURAL MARKETING IN INDIA

The rural sector, which encompasses about 70 percent of the total population, has an important role to play in the overall development of the country. Rural India is now undergoing a sea change resulting from the multi-pronged activities undertaken for overall development of villages. There is an indication of increasing prosperity in rural India. Prosperity in the rural areas has opened up new opportunities. It leads to certain definite increase in the demand for durable and non-durable goods. Also significant changes have been noticed in the buying and consumption pattern of the rural consumers, imbibing new ideas, attitude and way of life. As a result of the “green revolution,” there is a socio-economic revolution taking place in Indian villages since the last three decades. Increasing knowledge of fertilizers, water resources, pesticides, better quality seeds, modern farm equipments and methods of farming have made the villages far better. The per capita income of the farmers is on the increase and the manner in which they spend their disposable income has also changed. The rural market is not passive. It is vibrant and growing at a faster pace. It will soon outstrip the urban market if this pace of development continues.

The villages have accepted the modern way of agriculture as a business, but have also accepted modern living. The Farmer is choosy in his buying. Apart from food and consumerable items, he is interested in buying small radios, televisions, two wheelers, mostly bicycles and motorcycles, wrist watches, cooking gas and furniture. Socio-economic changes in villages have led villagers to think of material well being. This change in the attitude of the Indian farmer is sweeping across the countryside. The expanding rural market is important to the growth of the economic development of India. With the change in scenario, the
marketing focus is also changing towards villages: ‘go rural’ is the slogan of marketing gurus.

Prosperity in rural areas is very much reflected in the buying and consumption habits of rural folks. Their inclination to spend on the modern gadgets has increased as a result of their increase in their purchasing power. This necessitates an appraisal of the rural marketing environment which is an outgrowth of various socio-economic and cultural forces. For evolving an appropriate marketing strategy, understanding the rural environment is quite essential. Recently attempts were made to define the distinct differences between the urban and rural markets on the basis of the various socio-economic factors (Rajendrn Kumar 2004).

1.3 RURAL CONSUMERS IN INDIA

Rural consumers are fundamentally different from their urban counterparts socially, psychologically, physiologically and literally. Rural consumers buy only inexpensive products. There is mass consumption among them regarding a particular product or brand since they are homogeneous at the village or regional level. In rural market, since the women have very little contact with the market, the male makes the purchase decision. The community decision-making is quite common in a rural market because of strong caste and social structures and low literacy levels. Rural consumers generally feel inhibited and ill-equipped to buy confidently, since they have only lesser exposure to the product quality, service support and company credentials. Rural consumers are illiterate as per the census definition, but he is not unintelligent. The brand awareness, preference and loyalty among the rural consumers are comparatively less than their urban counterparts. The degree of brand loyalty varies among the rural consumer according
to the nature of products. If the rural consumers are loyal to one brand, it is very difficult to change.

Census 2001 reveals that 74 crore people that is about 70% percent of India’s total population lives in villages. However, unlike urban population, rural population is scattered across 6,38,365 villages and the rural market, which is spread over the highly heterogeneous in respect of purchasing power, literacy, electrification, sanitation, culture and so on (Selvaraj A. 2007).

Rural consumers are influenced by rationality, personal experience and the level of utility that is derived from the consumption, etc. Their buying behaviour is influenced by experience of their own friends, relatives and family members. Above all, quality of the product and its easy availability are the primary and vital determinants of the consumer buying behaviour. The techniques of bombarding product messages have a limited influence. Rural consumers are very much attached to and influenced by touch and feel aspect of any promotional activity (Shivaraj B. 2006).

1.4 FAST MOVING CONSUMER GOODS

Products which have a quick turnover, and relatively low cost are known as Fast Moving Consumer Goods (FMCG). FMCG products are those that get replaced within a year. FMCG generally includes wide range of frequently purchased consumer products such as toiletries, soap, cosmetics, tooth cleaning products, shaving products and detergents, as well as other non-durables such as glassware, bulbs, batteries, paper products, and plastic goods. FMCG also include pharmaceuticals, consumer electronics, packaged food products, soft drinks, tissue paper, and chocolate bars. Fast moving consumer goods are also known as Consumer Packaged Goods (CPG).
1.5 FMCG SECTOR IN INDIA

The Fast Moving Consumer Goods (FMCG) sector is one of the booming sectors of the Indian economy which has experienced outstanding growth in the past decade. This sector comprises of five main segments, which include personal care, household care, branded and packaged food, beverages and tobacco. Personal care comprises of oral care, hair care, toiletries, soaps and cosmetics; household care comprises of fabric wash and household cleaners; and beverages include health beverages, soft drinks, cereals, dairy products, bakery products, chocolates and staples.

FMCG is an important contributor to India’s Gross Domestic Product (GDP) and is also the fourth largest sector in the Indian economy, responsible for providing employment to approximately 5 percent of the total factory employment. This sector also creates employment for around three million people in downstream activities, which are generally carried out in smaller towns and rural India.

Rural markets account for 56 percent of the total FMCG demand. According to the National Council for Applied Economic Research (NCAER), as of the year 2006, India’s rural mass has a consumer spending of around US$ 100 bn, which contributes significantly to India’s GDP. NCAER has also projected that the number of middle and high income households in rural India is expected to rise from 80 million to 111 million by 2007 while in urban India, the number is expected to rise from 46 million to 59 million, which reflects that the overall size of middle and high income households in rural India will almost be double of their urban counterparts (Lopamudra Ghosh 2007).
National Rural Employment Guarantee Scheme (NREGS) has significant impact on rural spending. As a result, FMCG growth in the rural sector at 20 percent overtook urban growth of 17-18 percent in 2008 (Anil Rajpal 2009). FMCG sector is expected to grow over 60 percent by 2010. That will translate into an annual growth of 10 percent over a 5-year period. It has been estimated that the FMCG sector will rise from around Rs. 56,500 crores in 2005 to Rs. 92,100 crores in 2010.

1.6 IMPORTANCE OF THE STUDY

The study focuses mainly on the rural consumer behaviour towards selected Fast Moving Consumer Goods (FMCG), but with the prevailing trend, it is necessary to focus on the essence and emergence of vibrant rural marketing efforts from the FMCG companies. Thus with more number of companies entering into the rural market, with a variety of products, it is a must for the companies to study the rural consumer behaviour, on FMCG. This study will highlight the rural consumer behaviour before purchase, at the time of purchase and post-purchase.

1.7 STATEMENT OF THE PROBLEM

In a competitive world, there are many problems in marketing of goods. Some problems can be solved, but many problems may not be solved. India is a developing country. So, most of the people are living in rural areas. Rural marketing is important for developing a country’s economy. Manufacturers face many problems in marketing their product in rural areas because most of the rural consumers earn low incomes, have low levels of literacy, low levels of brand awareness, communication and transportation facilities.
In the recent past, rural India has been witnessing a sea change, particularly in the standard of living and life styles. At present the consumers are more dynamic. Their taste, needs and preferences are changing as per the current scenario. The consumer now looks for product differentiation and the convenience offered. The consumer has certain expectation from branded items in terms of its quality, price and packaging. The increasing money spent on advertisement makes the consumer aware of the latest brands in the market. Conditions in rural markets do not assume an organized functioning pattern. The status of rural marketing needs to be understood in view of social dynamics and various economic and operational gap theories. Thus, appropriate planning for rural market in terms of trade for channel infrastructure, technology and behavioural dimensions needs greater emphasis for achieving better economic efficiency.

The consumers are finding various problems in selecting their fast moving consumer goods. It is identified that there is a need for research work in the field of consumer behaviour of FMCG in the rural areas of Salem District. The research deals with questions like.

1. What are the factors that influence the rural consumer in the purchase of FMCG?
2. What is the level of awareness of rural consumer regarding FMCG?
3. What is the level of satisfaction and problems faced by rural consumers?

1.8 SCOPE OF THE STUDY

Rural markets offer huge untapped potential to the marketers and academicians alike, and the consumer behaviour demonstrated by
the inhabitants of rural India differs significantly from their urban counterparts. But surprisingly, not much research has been done in the area of rural consumer behaviour and the marketers usually try to extend urban marketing programmes to these rural areas, which generally do not produce the desired results. An in-depth knowledge of the rural psyche and rural consumer behaviour patterns is one of the prerequisites for making a dent in the rural market. In a highly populated country like India there is a potential market for the FMCG. Hence the researcher has chosen five FMCG for the present research. The commodities chosen for the research are shampoo, bathing soap, toothpaste, biscuits and mosquito coil/liquid. The commodities selected for the research has been done on the basis of products available for hair care, skin care, oral care, food and beverages care and mosquito repellants.

1.9 OBJECTIVES OF THE STUDY

1. To study the attributes of different FMCG products.
2. To identify the factors of Need Recognition and Information Search Characteristics of Rural Consumers.
3. To ascertain the Evaluation of Alternatives and Brand Awareness and Brand Knowledge of Rural Consumers in Salem District.
4. To study the Pre Purchase and Post Purchase perception of Rural Consumers.
5. To analyze the factors influencing Post Purchase Behaviour and Brand Loyalty among the rural population.
6. To examine the influence of Demographic Variables on the factors of Need Recognition, Evaluation of Alternative and Post Purchase Behaviour.
1.10 AREA OF THE STUDY

Salem District is selected for study because of its heterogeneous characterized nature. The name ‘Salem’ appears to have been derived from Sela or Shalya and the term refers to the country surrounded by hills, as in the inscriptions. Local tradition claims Salem as the birth place of Tamil poetess Avvaiyar. The town is surrounded by an amphitheatre of hills, the Nagarmalai in the north, the Jeragamalai in the south, the Kanjanamalai on the west and Godumalai on the east. The Government of India has selected Salem city to be notified as a textile export zone. Salem is synonymous with mangoes. Salem is the national centre for sago and starch products, 90 percent of sago supplies to the country comes from Salem. Even though the dream of a full fledged steel plant is yet to be realized, the existing steel rolling mill have spread the name of “Salem steel” brand name of SAIL’S international quality stainless steel sheets, far and wide.

Apart from its history, it has important locations such as Mettur dam, Yercaud hills, Sankari fort, Tharamangalam Kailasanathar temple and several beautiful and historic sites and above all it is located centrally and is easily accessible from Bangalore, Coimbatore, Trichy, Madurai and Chennai. Though agriculture is the main base, Salem is also an important textile center and has a rich industrial base with the Salem steel plant, JSW, MALCO, CHEMPLAST, and with regard to power generation also, the thermal and hydel power plant at Mettur contribute towards power supply to the state.

Salem District consists of 4 revenue divisions, 9 Taluks and 631 villages (Table No. 1.1). It stands in the fifth place in the state of Tamil Nadu with the total area of 94 km. It had a population of 3,016,346 as per 2001 census report which consists of 52 percent males and 48
percent females. The literacy rate was 57.5 percent and the District was 46.09 percent urbanized.

**TABLE 1.1**

**Total No. of Villages in Salem District**

<table>
<thead>
<tr>
<th>DIVISION NAME</th>
<th>TALUK NAME</th>
<th>NO. OF VILLAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salem</td>
<td>Salem</td>
<td>153</td>
</tr>
<tr>
<td></td>
<td>Yercaud</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>Val paddy</td>
<td>67</td>
</tr>
<tr>
<td>Attur</td>
<td>Attur</td>
<td>102</td>
</tr>
<tr>
<td></td>
<td>Gangavalli</td>
<td>40</td>
</tr>
<tr>
<td>Sankari</td>
<td>Sankari</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Edappadi</td>
<td>24</td>
</tr>
<tr>
<td>Mettur</td>
<td>Mettur</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>Omalur</td>
<td>87</td>
</tr>
<tr>
<td>Total village</td>
<td></td>
<td>631</td>
</tr>
</tbody>
</table>

(Source: Salem District website)

1.11 RESEARCH METHODOLOGY

This section describes research design, data collection and interview schedule and development efforts used in this study. The sampling plan used for the final study is discussed in detail along with data collection procedures and data analysis procedures used in pretest, pilot test and the final study.

1.11.1 Sampling plan and data collection

The Salem District FMCG rural consumers are selected as a suitable setting to test the proposed research model. Mainly the focus is on buying behaviour of consumer towards FMCG. The main reasons for selecting this topic are (i) Availability of a higher number of FMCG consumers (ii) Availability of a number of consumers –dealers’ contacts in the industry.
The methodology of the study is based on the primary, as well as secondary data. The study depends mainly on the primary data collected through a well-framed and structured interview schedule, to elicit the well-considered opinions of the respondents. Proportionate random sampling is adopted to obtain the responses from the rural consumers of Salem District. This study employs both analytical and descriptive type of methodology. The study is conducted in two stages format, with a preliminary pilot study followed by the main study. The secondary data are collected from journals, magazines, publications, reports, books, dailies, periodicals, articles, research papers, websites, company publications, manuals and booklets.

1.11.2 Choice of product

The choice of product was decided after a brainstorming session between the author and supervisor. It has been noted that certain product categories lend themselves well to the consumers in their day to day life. The researcher interacted with 50 consumers in the study area, with ten different FMCG’s to know their popularity. The application of ranking analysis clearly revealed the high awareness of consumers on conveniently commuting FMCG. So the researcher has concluded the suitability of FMCG based on their frequent usage. FMCG’s are chosen for this study on account of the availability of multiple brands in Salem District.

1.11.3 Research instrument development

Five different constructs were needed to test the proposed conceptual model. Multi item, five point Likert’s scales were used to measure all the five constructs. Enlisting measures of rural consumer behaviours were used for all its elements and were adapted to the context of the study. Measures for final study were finalized using a
three step approach. (1) Measures compilation (2) Pre test and (3) Pilot study.

1.11.4 Measures Compilation

This step is used for all the five constructs. All the possible measurement scales for the constructs were collected and studied in detail for their appropriateness to the present study. The scales were assessed, based on the following criteria.

1. Reported reliabilities and factor structures of the scales in published studies.
2. Face validity of the questions
3. Study contents where the scales were used (scales were studied, FMCG)
4. Length of measurement scales the number of items in each scale.

All the measure considered in the final instrument is presented in detail.

1.11.5 Pre-test

The measurements of consumers’ attitude and satisfaction used by Rust, Zeithmal and Lemon (2000) were adapted to the study content and tested their face validity, content validity and reliability in the pretest. The five constructs demographics of consumer, attributes, factors influencing the purchaser, need recognition, evaluation of alternatives and post purchase behaviour in the proposed model were investigated extensively in the consumers’ behaviour research. Mainly consumers’ awareness on attributes, attitude and post purchase behaviour using Likert’s scale was used as in the previous studies.
1.11.6 Pilot study

A pilot study was conducted to validate the interview schedule and to confirm the feasibility of the study. The pilot study was conducted with a sample of 90 interview schedules covering all the four divisions of Salem District. The statements included in the interview schedule were subjected to the test of reliability using Cronbach’s Alpha Criterion. The value obtained is, 0.858, which shows that the instrument is highly reliable. In the light of experience gained, the interview schedule was modified suitably to elicit the response from the sample group.

1.11.7 Sampling size and design

The study area comprises of four divisions of Salem District and they are classified by the researcher to justify the sampling procedure adopted in the research.

A proportionate random sampling method was used to collect various perceptions of consumers of FMCG in rural areas in Salem District. Salem District consists of 4 revenue divisions in which 15 villages were selected through lottery method from each revenue division. The sample size of 600 respondents, representing 10 from 60 villages (Table 1.2) had been proportionately chosen from the 4 revenue divisions in Salem District. A total of 600 interview schedules were distributed in the selected areas in each revenue division. All the 600 responses were considered for the research. Hence, the exact sample size of the study is 600.
### TABLE 1.2

<table>
<thead>
<tr>
<th>REVENUE DIVISION/ NAME OF THE VILLAGES</th>
<th>SALEM</th>
<th>ATTUR</th>
<th>SANKARI</th>
<th>METTUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mallur</td>
<td>Ammampalayam</td>
<td>Attur</td>
<td>Avaragampalyam</td>
<td>Aranganur</td>
</tr>
<tr>
<td>Veeranam</td>
<td>Kattukottai</td>
<td>Seeliyampatti</td>
<td>Katheri</td>
<td>Olaipatti</td>
</tr>
<tr>
<td>Hashthampatti</td>
<td>Sorangudi</td>
<td>Thalavaipatti</td>
<td>Kaveripatti</td>
<td>Kaveripuram</td>
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<tr>
<td>Elampillai</td>
<td>Malliyakarai</td>
<td>Vadugappatti</td>
<td>Sankari</td>
<td>Kolathur</td>
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<tr>
<td>Kannankurichi</td>
<td>Thalavadi</td>
<td>Veppampatti</td>
<td>Thevur</td>
<td>Singiripatti</td>
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<tr>
<td>Yercaud</td>
<td>Muttal</td>
<td>Edappadi</td>
<td>Vettur</td>
<td>Sampalli</td>
</tr>
<tr>
<td>Manjakuttai</td>
<td>Gangavalli</td>
<td>Sittur</td>
<td>Macheri</td>
<td>Pottaneri</td>
</tr>
<tr>
<td>Semmanatham</td>
<td>Thammampatti</td>
<td>Chinnamanali</td>
<td>Karuppur</td>
<td>Omalur</td>
</tr>
<tr>
<td>Nagalur</td>
<td>Veppadi</td>
<td>Pakkanadu</td>
<td>Darapuram</td>
<td>Poosaripatti</td>
</tr>
<tr>
<td>Sengalathupadi</td>
<td>Sengadu</td>
<td>Konanapuri</td>
<td>Poosaripatti</td>
<td>Reddiipatti</td>
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<tr>
<td>Karipatti</td>
<td>Koneripatti</td>
<td>Samuthram</td>
<td>Deevattipatti</td>
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<tr>
<td>Singipuram</td>
<td>Kadembur</td>
<td>Thatapuram</td>
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<tr>
<td>Somampatti</td>
<td>Kondayampalli</td>
<td>Krumaiipatti</td>
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<tr>
<td>Mottur</td>
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<tr>
<td>pudupalayam</td>
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</table>

### 1.11.8 Interview schedule design

The interview schedule was based on the initial research model and propositions. Primary data were collected through the interview schedule survey. An interview schedule with five sections was developed and finalized. The first part of the interview schedule comprises demographic factors with optional questions. The second part contains statements about the information search, level of awareness of consumer on different brands of FMCG and their attitudes. Some optional questions are included along with the rating questions and also yes or no questions. The third part consists of statements relating to influence of consumer, the need recognitions, and evaluation of FMCG with ranking type scale. This section also aims at ascertaining factors relating to purchase of FMCG. The fourth part of the interview schedule relates to the opinion of consumers on complete evaluation of alternatives. Some optional questions are included along
with the ranking type and Likert’s five point scale questions. The fifth
and final part of the interview schedule encounters the statements
pertaining to the post-purchase behaviour, satisfaction, brand loyalty
and attitude towards FMCG with Likert’s 5 point scale. All relevant
statements are included to derive responses.

1.11.9 Scaling technique in the interview schedule

The interview schedule of the research consists of both optional
type and statements in Likert’s 5 point scale. The responses of these
sections were obtained from the FMCG users in Salem District which
range as follows:

5 – Strongly Agree
4 – Agree
3 – Neutral
2 – Disagree
1 – Strongly Disagree

5 – Very High satisfaction
4 – High satisfaction
3 – Moderate satisfaction
2 – Low satisfaction
1 – Very low satisfaction

This allowed for the standardization of results as well as making
it easier for respondents to complete the interview schedule. The author
and supervisor discussed the Likert’s 5 point scale and decided to assign
the numerical value three for undecided or neutral. The numerical
value 3 is assigned to neutral after referring the several approaches in
statistics. Undecided has a connotation that, the statements in the
interview schedule do not have proximity to the respondents. But neutral implies that they are well acquainted with the statements in the interview schedule but they want to remain equidistant from the two extremities of agreement and disagreement.

1.11.10 Hypotheses

1. Consumer perceptions on the attributes of FMCG do not differ significantly.
2. There is no relationship between brand awareness and brand knowledge of the rural consumer.
3. The perceptions of the rural consumer on post purchase behaviour do not differ significantly.
4. Factors of need recognition do not differ significantly.
5. There is no relationship between post purchase behaviour and brand loyalty of the rural consumer.
6. There is no influence of demographic variables on the factors of need recognition evaluation of alternative and post purchase behaviour.

1.11.11 Analysis of data

The primary data collected from the consumers will be analyzed by using SPSS V-15 (Statistical Package for Social Sciences) to obtain the results concerning the objectives of the study. Factor analysis, Cluster analysis, t-test, One Way Analysis of Variance, Multiple Regression and Correspondence and Association Analysis are applied for analyzing the responses of FMCG consumers of Salem District.

- One sample t-test found out the awareness about the attributes and benefits of FMCG and the important sources of information.
Multiple Regression Analysis is found suitable to find the impact of product awareness on brands, SWOT factors and Post Purchase Behaviour of consumers.

Factor Analysis by Principal Component Method is used to identify the factors of consumer satisfaction, and attitude of consumers.

K-means Cluster Analysis is exploited to classify the consumers of Salem District based on their perception of factor of product awareness, attitude and Post-Purchase Behaviour.

Correspondence Analysis is applied to find out the intensified association between demographic segmentation and various clusters of consumers.

One Way Analysis of variance is applied to measure the influence of personal variables on the SWOT factors and consumer satisfaction.

1.12 LIMITATIONS OF THE STUDY

1. The study is limited to Salem District only. Due to time constraint and cost, the study is restricted to only one District.

2. The study covers all divisions located in Salem District.

3. The study has been conducted based on the responses of the selected respondents of Salem District. Hence the inferences, findings of the analysis need not hold good totally for the entire rural and urban areas of the country.

4. The study is limited to the 600 responses of consumers in Salem District. More responses would have thrown adequate light on the entire study.
5. The study covers only the FMCG in use by the respondents of the present study. No attempt has been made at the products of similar nature as it involves wider areas of the study.

6. The period of the study is confined to 2008-2010.

1.13 CHAPTER SCHEME

Chapter I presents “introduction” about rural consumer behaviour and its important factors. It also presents importance of the study, research question, research methodology, scope, limitations and chapter arrangement.

Chapter II highlights various research studies on the rural consumer behaviour before purchase, at the time of purchase and post-purchase. It also thoroughly analyzes innovative results of the researches pertaining to the present study. This chapter innovatively identifies the research gaps and its consolidation for the present research work.

Chapter III expresses an elaborate account of conceptual framework of consumer behaviour

Chapter IV establishes “pre-purchase rural consumer behaviour-an analysis”.

Chapter V innovatively presents “purchase and post-purchase rural consumer behaviour-an analysis”.

Chapter VI summarizes the major Findings, Suggestions and Conclusion.
REFERENCES