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Research Papers

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## A STUDY OF CONSUMER GOODS MARKETING TO INDIAN RURAL CONSUMERS

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### Abstract

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

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### 1. INTRODUCTION

The reasons why companies are going rural are manifold. Higher rural incomes driven by agricultural growth, increasing enrolment in primary schools, high penetration of TV and other mass media have increased the propensity to consume branded and value added products in rural areas. Most fast moving consumer goods companies ( FMCG ) in India are introducing customized products specially 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 manufacturers are increasingly aware of the burgeoning purchasing powers, vast size and demand base of the ones 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 promote their products. For example, Hindustan Uniliver's Project Shakti not only brings revenues to the company but also assist poor rural women 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 win win partnership deal between the company and the consumers.

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.

### 2.CHARACTERISTICS OF INDIAN RURAL MARKETS

**2.1 Large and diverse market:** The Indian rural market is large and diverse in nature. Therefore, the density of shops to market the products is less

when compared to the total population.

**2.2 Agriculture is the major source of income :** Main source of income is rural India is agriculture. If crops fail, then their income gets affected automatically and this reduces their purchasing power.

**2.3 Traditional Outlook:** People in rural areas are traditional in their thinking they are superstitious in their belief. This trend too is gradually changing because of increasing literacy levels among the rural youth.

**2.4 Diver socio economic background :** Rural consumers are spread across different states in distinct parts of India. Thus their social norms and economic status differ widely from each other.

**2.5 Lack of proper infrastructure :** There are no longer infrastructure facilities in and around villages. This includes bad roads, bad warehouses, lack of proper communications system and inadequate credit facilities. This is gradually progressing because of government initiatives and private players.

### 3. FACTS ABOUT THE INDIAN RURAL MARKET

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

3.1 Rural India constitutes 70% of India's total population.

3.2 It accounts for 56% of national income.

3.3 It contributes to 1/3rd of India's total savings

3.4 It accounts for 64% of total expenditure.

3.5 Rural economy is estimated to reach a size of Rs 18 trillion by 2012-2013 as against rs 12 trillion in 2007-2008.

3.6 Rural consumers share of total ownership of low cost items like bicycles, pressure cookers and watches during 1995-96 was 60%.

3.7 The share of rural India in the FMCG market is around 53% and is expected to reach 60% in future.

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 )

**Table I : Consumer Goods Penetration Percentage**

Product Category	All – India %	Urban %	Rural %
Deodrant	2.1	5.5	0.6
Toothpaste	48.6	74.9	37.6
Skin Cream	22.0	31.5	17.8
Shampoo	38.0	52.1	31.9
Utensil Cleaner	28.0	59.9	14.6
Instant Coffee	6.6	15.5	2.8
Washing powder	86.1	90.7	84.1
Detergent Bar	88.6	97.4	87.4

**Table II : Comparative Sizes of Rural and Urban Markets**

Particulars	Urban	Rural
Population 2001-2002 ( million households )	53	135
Population 2009-2010 ( million households )	69	153
% of All India Population	28	72
Market ( Number of town /Villages )	3768	627000

### 4 Initiatives taken by some companies

Nirma was the first FMCG company which initiated and produced goods according to the rural consumers in 1970. Nirma's entry changed the whole Indian FMCG scene. It became great success story and laid the roadmap for others to follow. A number of companies in FMCG have adapted to expand their base in rural market. Among these, hat have made headway are Hindustan Lever, Coca Cola , LG Electronics, Britannia, Colgate Palmolive.

**4.1 “Gaon Chalo” By Tata Tea :** “Gaon Chalo is a distinctive rural marketing initiative started in the year 2006 in the Uttar Pradesh by Tata tea. For penetrating the rural market, the company partnered with NGO with wide reach among the UP rural masses. The Gaon Chalo project has created employment opportunities to the youth villages and small towns. It has brought steady income to those who are distributors of Tata Tea. Tata tea consolidated market share from rural areas rose from 18% to 26.6%.

**4.2 Rural Market by Maruti :** Maruti Suzuki has introduced various innovative schemes. Through its

Wheels of India scheme, the company targeted India's State government employees. This scheme led to the sales of more than 5000 automobiles. One more scheme called "Ghar Ghar Me Maruti: Mera Sapna Meri Maruti" is targeted at the customer segment consisting of village panchayat members who are highly influential and respected in rural areas and nearby towns. This scheme increased Maruti sales by 16600 units. Other schemes Maruti are steel wheels for steel industry employees, 1 class officer for Indian Railways employees and Teacher Plus schemes for teachers. All these schemes have yielded good results.

#### 4.3 Mahindra leading Brand in Rural India :

After launching its super turbo DI Tractor, Mahindra wanted to create awareness about its new technology and high efficiency to farmers and thereby sales the tractor. It therefore, identified opinion leaders and progressive farmers and organized interactive discussions between the company and its target audience. It gave free test rides and therefore sold the tractors initially to opinion leaders. This marketing activity was carried out in Maharashtra, Haryana, and Punjab. After using the tractor for a reasonable time period, the initial buyers were glad to have the product and expressed their positive word of mouth about the tractor to their friends, relatives and neighbours.

**4.4 Dabur India Oil partnership :** In order to tap India's rural market, Dabur India Ltd has tied up Indian Oil Corporation. According to agreement between the two companies, IOC retail outlets all over the country will stock and sell Dabur's products consisting of healthcare, oral care, personal wash, skin care and home care products. This will help Dabur in reaching millions of rural customers.

The Kisan Sewa Kendra is a one stop rural retail outlet of IOC, which offers fuel and non fuel products like fertilizers, grocery, tools used for cultivation, seeds, personal care products, auto spares etc. There are 1600 such IOC outlets across India.

#### 5 Conclusion :

5.1 The key challenges that companies face in the rural market is to identify and offer appropriate products without hurting the company's profitability or margins.

5.2 Companies should recognize that rural consumers are quite discerning about their choices

and customize products and services accordingly.

5.3 Product awareness campaigns and advertising communications too need to be designing and executed keeping in tune with the context.

5.4 The products should not only be made available at the right time and place but should also be affordable and acceptable to rural people.

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