

Marketing Mix Strategies for FMCG in Rural India

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Abstract

FMCG have attracted Indian villagers. When the urban demands for the FMCG goods are getting saturated, the FMCG companies look at this development as an opportunity. Apparently in terms of the number of people the Indian Rural Market is almost twice as large as the entire market of USA and Russia. The untapped rural market is fast becoming a major attraction to many domestic and foreign organizations. The rural market in India is growing at four times the rate of the urban market. The present rural market size is estimated to be Rs 35,000 crores annually. The rural consumers are becoming more and more brand conscious. The rural market, thus are the growth engines of Indian economy. This paper is attempt to analyze the potential present and the strategies which must be followed for success in rural India. Huge potential of Rural India is making India a hub for globalization.

Keywords: FMCG, Rural, marketing, outsourcing, retailing, Per capita income

1. Introduction

Fast Moving Consumer Goods (FMCG) sector in India have taken up a development approach to nourish rural market. FMCG touches every aspect of human life and there is a lot of opportunity for them to enter into rural market. This sector is excited about the rural population whose incomes are rising and lifestyles are changing. Globally the FMCG sector has been successful in selling products to the lower and middle income groups and the same is true in India. Over 70% of sells is made to middle class households today and over 50% of the middle class is in rural India. Due to saturation and cut throat competition in urban India, many producers of FMCG are chalking out bold new strategies for targeting the rural consumers in a big way. While developing the strategies, the marketers need to treat the rural consumer differently from their counterparts in urban consumers because they are economically, socially and psycho-graphically different to each other. The companies like Hindustan Levers Ltd (HLL), Godrej, Procter and Gamble, Nirma, Reckett and Coleman, Karnataka Soaps and Detergents Limited has done considerable pioneering work in developing FMCG products for the rural market and initiating collaborative and innovative strategies.

2. FMCG Products and Categories

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. Examples of FMCG

generally include a wide range of frequently purchased consumer products such as –

- Personal care, Oral care, Hair care, Spin care, Personal Wash (Soaps)..
- Cosmetics and toiletries, deodorants, perfumes, feminine hygiene, paper products,
- Household care fabric wash including laundry soaps and synthetic detergents, household cleaners, such as dish/utensil cleaners, floor cleaners, toilet cleaners, air fresheners, insecticides and mosquito repellents, metal polish and furniture polish.

FMCG is the fourth largest sector in the Indian economy with a total market size of Rs 60,000 crores. FMCG sector generates 5% of the total factory employment in the country and is creating employment for three million people especially in small towns and rural India.

A distinct feature of the FMCG industry is the presence of most global players through their subsidiaries (HLL, P&G, Nestle), which ensures new product launches in the Indian market from the parents portfolio.

Demand for FMCG which has boomed by 60 percent in 2007 will be boomed by more than 100 percent by 2015. This will be driven by the rise in share of middle class from 67 percent in 2003, to 88 percent in 2015. The boom in various consumer categories further indicates a latent demand for various product segments. For example the upper end of very rich and a part of the consuming class indicate a small but rapidly growing

segment for branded products. The middle segment, on the other hand indicates a large market for the mass end products. The BRICS report indicates that India's per capita disposable income currently is \$ 556 per annum and will rise to \$ 1150 by 2015 – another FMCG demand driver.

3. The Following Factors Make India A Competitive Player in FMCG Sector

3.1 Large Base

With the population of over one billion people, India is a big market for FMCG companies. Around 70% of the total households in India reside in the rural areas. The total number of rural households is expected to rise from 135 million in 2002 to 153 million in 2010, which means the largest potential market in the world.

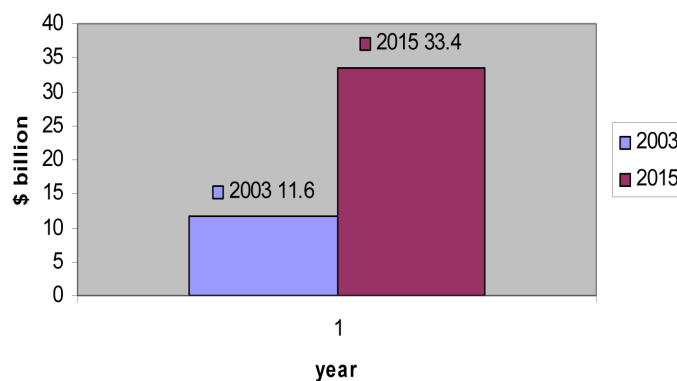


Figure 1. FMCG Market size.

Source: HH Panel data.

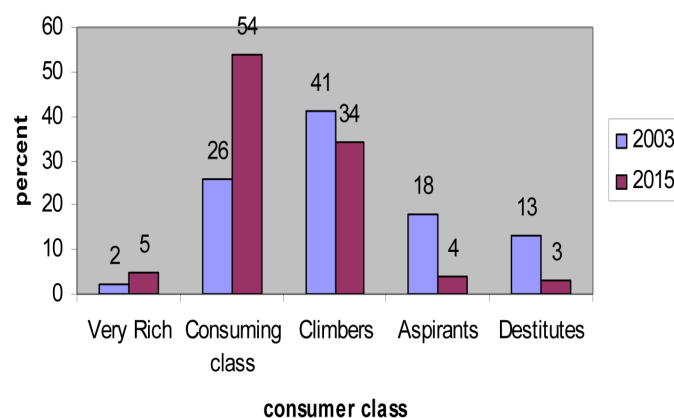


Figure 2. Consumer class boom household distribution.

Source: HLL, NCEAR.

Table 1. Rural and Urban Potential

	Urban	Rural
Population 2001-2002 (m households)	53	135
Population 2009-2010 (m households)	69	153
% Distribution (2001-02)	28	72
Market (Towns/Villages)	3,768	627,000

Source: Statistical outline of India (2001-02), NCAER.

3.2 Changing Lifestyles

Rising per capita income, increased literacy and rapid urbanization have caused rapid growth and changes in demand patterns. The rising aspirations level, increase in spending power has led to a change in the consumption patterns in recent India this trend indicates the increase in demand for FMCG goods.

3.3 Increasing Per Capita Income

Existence of unsaturated markets provides an excellent opportunity for the industry players as the income of rural population is rising. A rise in per capita consumption, with improvement in income and affordability and rising urbanization is further expected to boost FMCG demand. Also, as the income rises, the shift from unbranded to branded product is expected to be more evident.

3.4 Outsourcing Hub

India has a vast resource of raw materials across different products. Apart from the advantage in terms of ample raw materials availability and low labour costs have resulted in a lower cost of production. As a result India has become a base for many MNC's like HLL and P&G as an outsourcing hub.

3.5 Retailing – The New Growth Area

Modern trade accounts for 9% of FMCG sales in metros. Overall they account for approximately 4% of FMCG sales today. With nearly 220 malls expected to come up in the next four to five years in the country, the demand for the products is expected to be higher in rural India also.

3.6 Looking Ahead

The FMCG sector is characterized by a well – established distribution networks, intense competition between the organized and unorganized segments and low operation cost. As per the BRICS report, India's per capita disposable income currently stands at US \$ 556 per annum, which will rise to US \$ 1150 by 2015. With

the rise in share of the middle class, the FMCG market is all set to treble from US \$ 11.6 billion in 2003 to US \$ 33.4 billion in 2015. The rapidly growing economy, rising disposable income, changing consumer expenditure patterns and increasing number of middle class families, the FMCG market is set to take a big leap in the coming years.

3.7 Availability of Raw Material

India produces caustic soda and soda ash, which are required for the production of soaps and detergents. The availability of these raw materials gives India the location advantage.

3.8 Labour Cost Comparison

Low cost labour gives India a competitive advantage. India's labour cost gives the advantage of low cost of production.

3.9 Presence Across Value Chain

Indian companies have their presence across the value chain of FMCG sector, right from the supply of raw materials to packaged goods.

4. Strategies For 4P's in the Rural Market

4.1 Product Strategies

Rural market is much different from urban market as rural people spend money for basic needs. Due to low income, for any purchase they think hard and try to postpone or spend very little. Some of the Product strategies for rural India are-

4.1.1 Small Size Package

Low income, absence of regular pay and cash, forces rural consumer to buy small sachets of FMCG products. Thus FMCG products are available in rural India in small sachets of 10 gm, 25gm, 1/4 kg, 1/2 kg packets etc.

4.1.2 Low- Priced Package

Low quality product of company are available at lower prices in rural India. Products like ghutka, cold drinks, beedis, cigarettes, tea and coffee powders came to the rural areas in smaller packets and lower rates than those sold in urban area.

4.1.3 Rough and Tough

Rural people believe that product that has rugged, tough or robust looks and bright colours will last longer. Therefore Bullet motorcycle, loud noise making transistors, radios, bright coloured clothes, banians, underwears, or turbans etc are more popular in rural areas.

4.1.4 Usable Products

Rural people are more particular to buy only utility oriented products and they are at all not interested in fancy items which are later meant to be kept in showcases.

4.1.5 Brand Image

Rural people identify the brands in their own way. For example, Everyday battery cells are called red- battery and many products are identified by symbols and specially symbols related to the Hindu deity. Many manufacturers use symbols like Balaji, Swastik and Om etc to make it easy to remember by the rural areas.

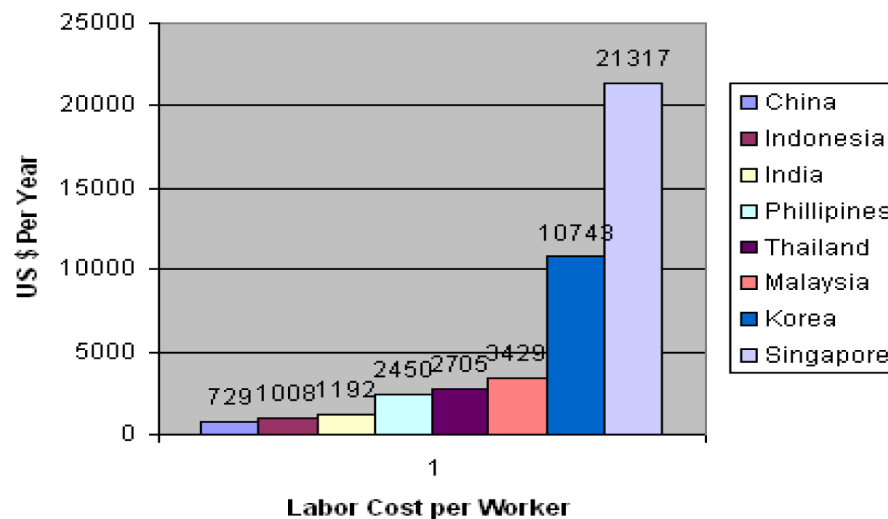


Figure 3. Labour Cost Comparison.

4.2 Pricing Strategies

Low income levels and poor cash flow in rural sector favour pricing strategy which is in tune with the packaging and product strategy. Hence, packaging and product has been made to suit low value purchases by rural people.

4.2.1 Low Pricing

Smaller packets of tea, toothpowder, shampoo, detergent powder, soap etc having standard or low quality are sold at prices with very low margins.

4.2.2 Low Cost Packaging

For price reduction in rural India, the manufactures have resorted to use of cheap quality or ordinary packing. As rural people are not interested in sophisticated packing eatables like biscuits, sugar candies, and others are packed in single plastic bags so that it is just enough to carry and handle. Rural people only look for price and utility.

4.2.3 Conversions

The standard pricing factors like costs, competition, premium product value, new product pricing, channel factor, promotion costs are not taken into consideration in rural pricing. The rural producer require revolutionary change in rural society and rural culture so that rural segment is to be cultivated as per consumer liking. Thus it has become necessary to start with what rural people expect rather than worry on marketing principles.

5. Strategies for Place of Distribution

Bigger villages of above 5000 population are fairly covered by the marketing people of various companies manufacturing consumables and durable products, in comparison to smaller villages. Various strategies for distribution to various rural segments are discussed as under-

5.1 Small Villages

Two types of strategies followed for small villages are either reach all villages above 2000 population or reach all those within 50 km radius of big towns and cities. Distribution vans are used to cover villages on fixed period (at least once a week) so that the shopkeepers as well as the public are sure of supplies from the manufacturer.

5.2 Agro- input Dealers

Agro input dealers are known to rural population and hence are helpful in selling FMCG in Rural India.

5.3 Co-operative Societies

Marketing cooperatives, credit cooperative society, farmers service cooperative societies, and various local level cooperatives, are helpful in marketing of FMCG in Rural India.

5.4 PDS Stores and Petrol Pumps

Public Distribution Systems and less busy petrol pumps in rural India play important role in selling of FMCG in Rural India.

5.5 Towns Markets

Towns are regularly visited by rural people for the purchase of FMCG products.

6. Promotion Strategies

As the literacy rate of rural people is very low, a different combination of promotion tool is required for rural India as discussed below-

1. Cinema- Product advertisements before a movie and during interval is a good source of promotion of FMCG in Rural India.
2. Television- Few TV serials and sports etc have made TV a important promotional channel in rural India.
3. Radio- Rural people are very radio friendly, so marketer are using it as an important promotion tool.
4. Print Media- Due to low literacy rate and poor reading habits, this is not a popular promotion tool in rural India.
5. Hoardings- Hoardings on village entry junctions, writing in local language and paintings on walls of public buildings in villages with picture of product and catchy slogans are considered to be best promoters of FMCG in rural India.
6. Various Events- Mela, Jathra, Shondis and Hats are important places for promotion of FMCG in rural India.

7. Conclusion

Sale on FMCG goods is growing in rural market but they are yet to reach the expected level. The growth of consumption in the rural market is yet to catch up in a big way. The FMCG goods marketers have been applying different strategies of marketing but they are realising that these strategies are different for rural market than for their urban counterpart. The FMCG products marketers are trying to promote their products in a big way and are applying all techniques to promote their products in rural market. They are making full use of congregation of people in fairs, jathras, religious gatherings etc. The marketers need to

adapt to the rural circumstances and have to take advantage of rural opportunities to promote their products so that they are able to increase their sales in the rural market. As it is evident that there is difference between urban and rural market the marketers have to change their strategies according to rural market. The FMCG product marketers have to adjust their marketing mix according to the rural market to succeed and capture the vast untapped rural market.

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