

Rural Market- “Market of Today”

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ABSTRACT

Rural India has the highest potential in terms of size, consumption pattern, growth rate as more than 70% of the population is living in villages. In these rural markets, FMCG sector is the pioneer in the major product category. A lot of study has been done to know the difference between the rural and urban Indian consumers and the buying pattern. Therefore, knowing about the understanding rural consumer behaviour is very important for the marketers of FMCGs because a large potential is untapped and reluctant for purchase. The main focus of this paper is on the attractiveness of the rural market, the size and age mix, the difference between the rural and urban population demand and buying behavior and challenges faced by FMCGs by the rural segment.

1. Introduction

Rural market was never been attractive. But now a days half of the revenue of FMCG sector comes from rural consumer, for example- HUL, Britannia, P& G and cologate are earning large sales from these areas. The biggest example is of Maruti that changes its sales figures immensely.

S.No.	Companies
1.	Hindustan Unilever Ltd
2.	ITC (Indian Tobacco Company)
3.	Nestlé India
4.	GCMF (AMUL)
5.	Dabur India
6.	Asian Paints (India)
7.	Cadbury India
8.	Britannia Industries
9.	P&G Hygiene and Health Care
10.	Marico Industries

Source: Naukrihub.com

The table 1.1 reflects the presence of major firms in India. According to the reports of Ernst and young, quoted in the *The BW Marketing White book, 2013*, among the largest share in the rural area is of HUL (45%) in household products and Hero-Honda in two-wheeler (60%). Rural marketing is done as a result that in rural India there is vast unlimited opportunities, that needed to be tapped by FMCGs. Indian population is majorly settled in the rural region and Seventy per cent of the nation's population looks more attractive opportunity which was not yet explored. The urban market was already depressed and saturated.

2. Review of literature

Most of the Indian rural markets are 'Virgin' in nature and they are now opening for most of the packaged goods (Habeb-Ur-Rahman, 2007), they need to understand the

factors that influence the rural purchase of FMCG (Krishnamoorthy, 2008). The buying behavior is influenced the purchase decisions of customers (Blackwell and Talarzy, 1977). The literature represents brand name (Narang, 2001; Bishnoi & Bharti, 2007; Sahoo & Panda, 1995), quality (Rashmi & Venu Gopal, 2000; Kumar & Madhavi, 2006), price (Sarangapani & Mamatha, 2008) and promotions (Bhatt & Jaiswal, 1986) influence the rural purchase. In the process, retailers have emerged as key influencers of rural purchase of FMCG (Ying Zhao, 1994). Rajan, R.V., opined that a lot of study is yet to be done understand rural consumers, there are several challenges in rural markets (Khatri, 2002), advertising issues in rural marketing (Balakrishnan, 2007), still many more issues relating to influencing factors in rural markets. The literature review conducted for the study specifies that there is a lot more to study rural sector and there is untapped potential.

3. Reasons for rural market attractiveness

The FMCG companies performed very high in terms of sales in urban sector but later there was depression in the urban trend and the budding rural sector saved these FMCG's. From 2008- 2009 many firms entered the rural market and few even reaped new sales and new profits out of this market. The surge was so high and attractive that in the following years till date the growth rate of spending is ahead of urban population. The rural markets grows faster and moreover the competition was neck to neck in urban area. It was one the most virgin market and highest sales contributing market.

4. How rural customer differs from urban customer?

The major facts about the rural consumer is that it is entirely different from the urban one and the vary among themselves even. The major difference is about the kind of occupation, as rural consumer is dependent on the agriculture i.e primary activities while urban is in manufacturing and service sector i.e- secondary and tertiary activities. The caste is major factor that still holds in rural sector. The income pattern is more seasonal in rural areas therefore it impacts the consumption pattern. The income and the socioeconomic position represents a mixed picture as there are many rural India's within Rural India. A small chunk is well off some are

super rich and others are low purchasing power. They buy expensive products to flaunt for example – buying SUVs above 20 lakhs and LCDs above 2 lakhs.

According to the report: FMCG companies should recognise the ‘new rural India’ to stay relevant: Study

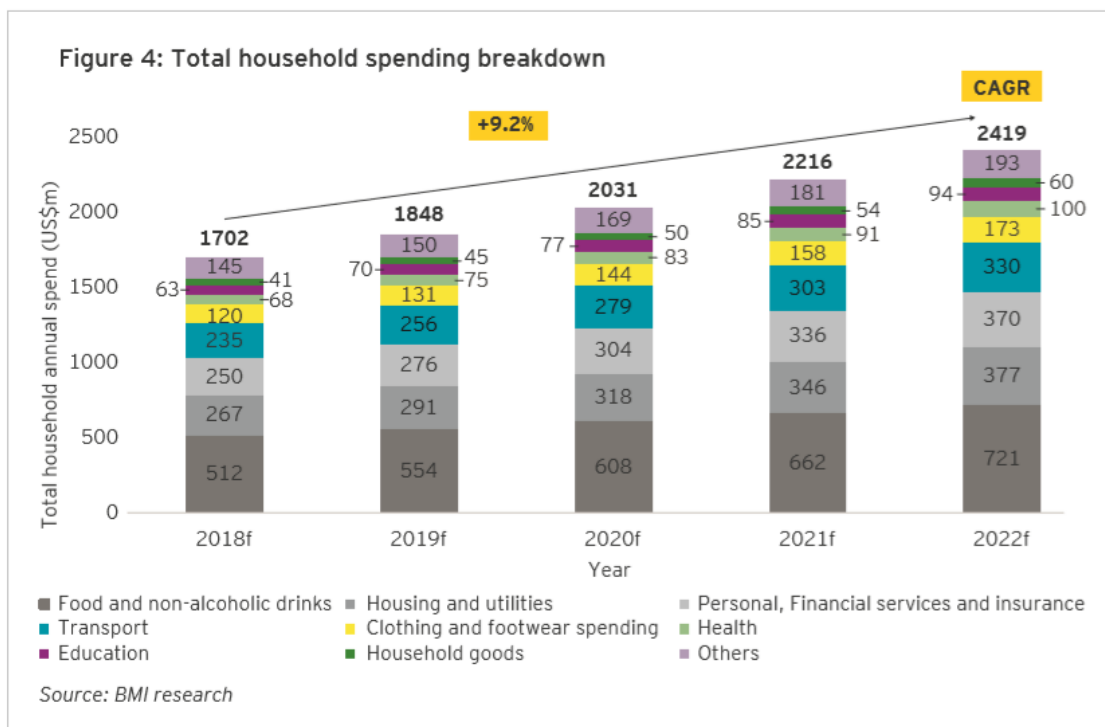
In the rural consumer price market, the evolution took place where the customer was very price sensitive and conservative but in today’s time he is a value-seeking and brand sensitive consumer, this a decadal change in such a behavior. Therefore for corporate mainly FMCG to stay relevant, it’s the need of the hour to recognize this ‘new rural consumer’, according to a recent report titled ‘Indian Rural Market’. It reported on understanding the convergence between rural and urban areas, the current priorities and challenges, other stakeholders engaging with rural India.

According to Pradeep Kashyap, Founder, MART, conceptualised a 4D model, reported that the disposable income in rural sector grew exponentially because of national schemes like Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and Kisan credit cards. Therefore rural marketers need to take into account the rising aspirations of rural consumers and also look into the changing demographic trend that has resulted in ‘rurban’ geographies.-

(Reported in the business line, Published on February 19, 2019

5. Buying behavior of the rural population

The major influencer of the buying behavior of rural population is the exposure to urban trends, latest styles and this depends upon the geographic location of the rural area for example NCR has emerged as a single entity and hub of rural-urban clusters from merut in UP to Faridabad in Haryana. The necessities depend on the availability of the resources and infrastructural development in that region for instance- the availability of electricity will decide the demand for dry cells or battery operated torches. The demand for detergents can be in rural area, that can produce sufficient lather, even in hard water. Similarly detergent cakes and washing bars are demanded where people was the clothes in the water ponds and streams. There is major infulencer who is generally the head of the family also youngsters that are college goers also to some extent influence the decision making. The major recent influencer in the rural market is “Bahus” i.e- the daughter-in-laws that come from slightly more sophisticated background, they may bring better daily habits of using toothpastes instead of tooth powders or neem twigs.



The household spending in the rural sector is expected to rise at a CAGR of 9.2%. in the categories like clothing and footwear, and household goods that shows that there is ample opportunity for the FMCGs to grow their business in rural area.

6. Challenges faced by the rural customers are unique

Despite the growing needs of the rural sector consumer, the top challenges faced by rural consumers based on EY secondary research are: People are forced to travel to the nearest town and on an average, the nearest

town is located 15 to 20 km from the village also the choice of offering is limited. Rural customers also behave differently than urban consumer. The value attached is dependent on the level of disposable income, needs, education, social set-up, geography and so on.

7. Major Concerns of a rural customer for an online purchase

FMCG Sector is fulfilling the demands but still it faces the challenges while buying their desired products online. According to the data collected by EY secondary research

are: The reliability over the product make an online transaction is major way. The credibility of the overall system of e-commerce is a question. Knowledge about the mobile application for overall process is a barrier and English language is also an obstacle. Most of the decisions are being

price-based, therefore similar priced products are providing too many options leading to a difficulty in making purchases. There is a fear about the service post-delivery of the product.

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