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NEW RURAL MARKETING STRATEGIES OF FMCG COMPANIES IN INDIA: A STUDY OF SELECTED RURAL MARKETS OF PUNJAB AND MADHYA PRADESH

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ABSTRACT

As we know that there is wave to cut down the cost in this era of global pressure. Companies are looking to increase their sales through different marketing strategies in existing markets. But the companies are continuously facing huge crises in changing the overall functioning as per urban markets now in this scenario there is an urgent need of the companies to look for New Pastures (markets) to grow. This is where the role of rural markets comes. With household in middle and higher group in the Rural areas are going overtake become double in few years there is an utmost requirement of the FMCG companies to capture this market and survive. But the during last 10-15 years it has been experienced by no. of companies that it is not so easy to tap this market. The Reach, Requirement, Resources, Re-strategies, Re-branding, Re-pricing is what is in demand. This paper attempts to uncover the strategies of those companies which have done fairly well in Rural markets and also an attempt to give the companies the strategies to focus before entering the Rural markets in India.

KEYWORDS

Re-Strategies, Re-Branding, Rural, Punjab, Madhya Pradesh.

INTRODUCTION

Most marketers realize that India is on the cusp of momentous change. The economy is vibrant, incomes are rising and the habits, preferences, and attitudes are changing rapidly. But nowhere is this more evident than in Rural India. There is, thus, an emerging need to build expertise in rural marketing. In the past, the urban-oriented approaches used by marketers met with reasonable success in rural markets because the rural consumer was neither aware nor discerning. But with the spread of television, better roads network, and STD connectivity in recent times, the consumer has become far more demanding. Professionals will have to acquire diverse skills and equip themselves with practical knowledge and detailed data if they want to succeed in rural market in the future.

The decision to liberalize the Indian economy at the beginning of the 1990s had far-reaching consequences, which continued into new millennium. On the marketing front, there was the arrival of many well-known MNCs, which are household brands in the international market. Soon there was a proliferation of brands and intense competition, resulting in the near saturation of urban market. This forced companies to look for greener pastures, that is, new markets. All eyes turned to the world's most promising potential market of 742 million rural consumers, who had yet to taste the fruits of modernity, a promise that seemed ready to be fulfilled because of the explosion in the buying capacity in the rural market.

The census of India defines rural as any habitation with a population density of less than 400 per sq.km. where at least 75 percent of the male working population is engaged in agriculture and where there exists no municipality or board. Most companies in the FMCG sector would define rural as any place with a population up to 20,000. Similarly, durable and agri-input companies would consider any town with the population below 50,000 as rural. Companies face many challenges in tackling the rural markets, some of the more critical being: understanding rural consumers, reaching. The psych products and services to remote locations and communicating with vastly heterogeneous rural audiences. Sadly, not many companies have invested sufficient effort and money in research and nor have they spent enough time in the field to understand rural consumers, their values, aspirations, needs and usage habits. Marketing is all about 'getting to know your customers', but having largely ignored this cardinal principle, most corporates in rural markets find that success has eluded them.

RURAL MARKETS AND RURAL MARKETING INVOLVE A NUMBER OF STRATEGIES, WHICH INCLUDE

Client and location specific promotion

- Joint or cooperative promotion.
- Bundling of inputs
- Management of demand
- Developmental marketing
- Unique selling proposition (USP)
- Extension services
- Business ethics
- Partnership for sustainability

Client and Location specific promotion involves a strategy designed to be suitable to the location and the client.

Joint or co-operative promotion strategy involves participation between the marketing agencies and the client.

'Bundling of inputs' denote a marketing strategy, in which several related items are sold to the target client, including arrangements of credit, after-sale service, and so on.

Management of demand involve continuous market research of buyer's needs and problems at various levels so that continuous improvements and innovations can be undertaken for a sustainable market performance.

Developmental marketing refer to taking up marketing programmes keeping the development objective in mind and using various managerial and other inputs of marketing to achieve these objectives.

Media, both traditional as well as the modern media, is used as a marketing strategy.

Unique Selling Propositions (USP) involves presenting a theme with the product to attract the client to buy that particular product. For examples, some of famous Indian Farm equipment manufacturers have coined catchy themes, which they display along with the products, to attract the target client that is the farmers. English version of some of such themes would read like:

- The heartbeats of rural India
- With new technique for a life time of company
- For the sake of progress and prosperity

Extension Services denote, in short, a system of attending to the missing links and providing the required know-how.

Ethics in Business. Form, as usual, an important plank for rural markets and rural marketing.

Partnership for sustainability involves laying and building a foundation for continuous and long lasting relationship.

'Building sustainable market linkages for rural products: Industry's role, scope, opportunities and challenges''

LITERATURE REVIEW

NCAER

Indian Market Demographics Report 1998, the consuming class households (annual income between Rs. 45,001 and Rs 215,000) in rural India equals the number in urban India. It is well known that for the same level of income, the disposable surplus (purchasing power) in rural areas is much higher because food, shelter, primary education and health are virtually free, whereas in urban India 60 to 70 per cent of the income is spent on these necessities. As per the National Council for Applied Economic Research (NCAER) study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas. There are almost twice as many 'lower middle income' households in rural areas as in the urban areas. At the highest income level there are 2.3 million urban households as against 1.6 million households in rural areas. According to the NCAER projections, the number of middle and high-income households in rural India is expected to grow from 80 million to 111 million by 2007. In urban India, the same is expected to grow from 46 million to 59 million. Thus, the absolute size of rural India is expected to be double that of urban India. But despite the high rural share in these categories, the rural penetration rates are low, thus offering tremendous potential for growth.

NATIONAL ECONOMIC PLANNING COMMISSION

Fuelled by good growth registered in the 1990s as a result of thirteen consecutive good monsoons (barring those in 2002 and 2003); a 600 per cent increase in the five-year plan outlay for rural development programmes, from the Eighth to the Tenth plan; a 230 percent increase in the flow of institutional credit for agriculture between 1997-98 and 2004-05 and 41 million kisan credit cards (KCC) issued and cumulative credit amounting to Rs. 97,700 crore were sanctioned since the inception of the scheme in 1998 has helped the growth of the rural economy and contributed to the increasing rural prosperity. Growth in agriculture has resulted in the rapid rise of rural incomes.

MARKETING AND RESEARCH TEAM (MART)

Already rural marketers are proving to be vital for the growth of most companies and this has resulted in overhauling of marketing strategies of companies specific to rural market in India. Take the largest FMCG Company in the country, Hindustan Lever, more than half its annual sales of Rs 11,700 crore come from rural market. The situation is similar for companies such as of dry cell, wristwatches, cassette recorders, soaps, tea which sells as FMCG products. But despite the high rural share in these categories, the rural penetration rates are low because of lack of company push and difficulties in logistics and transportation. Priority to develop the rural markets and sincere efforts to overcome the difficulties would open the floodgates, offering tremendous potential for growth.

THE UNION BUDGET 2000-01

A programme for sustainable rural development, which takes care of not only progress in agriculture but also in meeting the social needs of the rural people. (PMGY) Pradhan mantri gramodaya yojana: a sum of Rs 5000 crore was earmarked to fulfill critical needs of the people in rural areas. Other schemes were launched to give the uplift to the rural spending by people in rural areas such as *Self employment schemes; Employment assurance scheme; Janashree bima yojana; Rural infrastructure development fund; Micro finance development fund; Rural housing.*

HLL chairman MS Banga

The improved agricultural growth is expected to boost rural demand, through not at too sizzling a rate. Moreover, the price drop in personal products, after the recent excise duty reductions, is also expected to drive consumption. "Better agricultural yields will give farmers more spending power, making the rural markets bullish

As a result, HLL has planned a rural marketing program that is expected to result in a marked growth in the consumption of the company's products in the rural market. HLL will adopt three-pronged marketing strategy- new price points, sizes and awareness campaigns for its detergents and soaps segment to augment rural growth

The Economic Times (2003), "The rural market likes it strong" the strength of rural markets for Indian companies. Financial express, June 19, 2000 has published the strategy about FMCG majors, HLL, Marico Industries, Colgate Palmolive have formula had for rural markets.

NEED OF STUDY

India is one of the fastest growing countries in this world and the awareness level of consumers of India is also increasing day by day and the urban markets are becoming more or less saturated as the companies are facing huge pressures to find new growth engines and new markets and this has led to a change in the way the FMCG companies are developing, redefining, remolding their Marketing strategies to capture the market in rural India. Marketing strategies of FMCG companies in rural markets are very different from each other as the way they perceive the size of rural market, potential in rural market, importance of rural market in their portfolio of markets, stage in which the company in its present state. So it becomes very important to unfold the real picture of FMCG companies operating in rural India. So the following is the need of the study

- To know different marketing strategies of the FMCG companies in rural market.

Therefore, this study has a great relevance not only to existing FMCG companies operating in rural market in which population low and spread out also to new companies who wants to enter this large untapped market and also to the students of management.

SCOPE OF STUDY

Under the scope of study will include rural areas of Punjab and Madhya Pradesh following companies will be covered.

1. HLL (HINDUSTAN LEVER (unilever) LIIMITED)
2. ITC

First hand information from the various sources available such as industry people, distributors of the above companies, various NGO's and Government agencies operating in rural area, etc collected.

STATEMENT OF PROBLEM

There has been a new buying pattern among the Rural Consumer for FMCG products in all price categories in Punjab and Madhya Pradesh from 2009-2012.

OBJECTIVES

The main Objective of the study is:-

1. To study the various marketing strategies of FMCG companies in rural market of Punjab and Madhya Pradesh.

HYPOTHESIS

NULL HYPOTHESIS: H₀

There is no relation with new marketing strategies by FMCG companies in Rural market and Sales in Rural market.

ALTERNATE HYPOTHESIS: H1

There is a positive co-orelation between adoption of new marketing strategies by FMCG in Rural areas and Sales.

RESEARCH METHODOLOGY

RESEARCH DESIGN

The Exploratory Design have adopted for this study. Reason for selecting this Design is because we are exploring the new data. On the basis of above I have taken the following ways of collecting data.

1. Focus Group Study
2. Questionnaire

As far as sampling technique is concerned I have taken Convenience sampling for collection of Primary Data.

The above-mentioned objective was critically appraised by using both primary and secondary data.

PRIMARY DATA

The schedule was prepared to collect first hand information from the various sources available such from industry people, local villagers, SHG (self help groups) various NGO's and Government agencies operating in rural area through questionnaire, schedules, Focus group. Etc.

SECONDARY DATA

Secondary data constitutes published and unpublished reports of FMCG companies. Further, a review of the existing literature available in the internet and magazines is consulted in persuasion of secondary data.

SELECTION OF STUDY AREA

The study will be carried out in randomly selected rural areas of Punjab and Madhya Pradesh.

SAMPLE DESIGN

Simple Random sample was chosen.

- a. HLL (HINDUSTAN LEVER (unilever) LIIMITED)
- b. ITC

SELECTION OF MARKET

Information from the various rural markets was collected. In all at least 2 districts (rural area) with total 10 villages in 2 districts was be covered along with NGO's working in that area, 1 dealer/distributor of each city (covering rural area) will be covered for different FMCG companies. Along with the dealers/distributor 2 sale person from each FMCG company and 100 local villagers from different rural areas were sampled.

PERIOD OF THE STUDY

The study will be conducted in the year 2011-2012.

STATISTICAL DESIGN

All the schedules were processed through computer using the windows based excel package & SPSS. The primary data was linked through digitized maps using the Arc view package and smart shape design. Data was coded, tabulated and analyzed by using statistical package-SPSS. The use of FACTOR analysis was done.

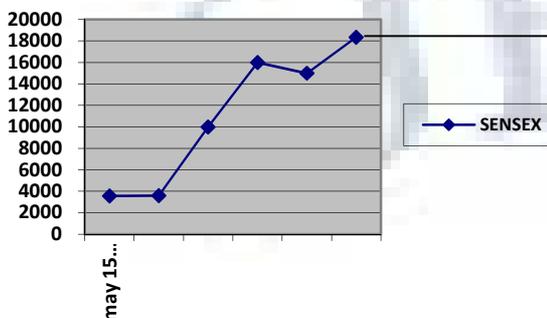
THE OVERALL STRATEGIES BEING FOLLOWED BY FMCG COMPANIES IN RURAL MARKET

- DISTRIBUTION FORMS AN IMPORTANT LINK AND IMPORTANT IS THE WAY THE DISTRIBUTION CHANNEL WORKS.
- THE RETAILER IS ONE OF THE SINGLE MOST IMPORTANT FACTORS.
- RESULTS: DIFFERENCE IN THE CHANNEL OF DISTRIBUTION.
- ASSESILBILTY HAVE IMPACT ON CHANNEL LENGTH.

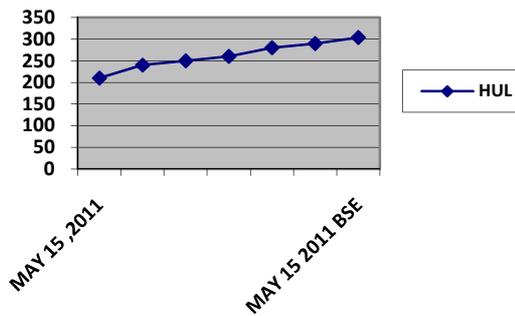
TABLE 1: HINDUSTAN UNILEVER STRATEGY

S.NO	STRATEGY NAME	APPROACH	FINDINGS
1	MISSION BUSHFIRE 2010	what is the position(image) of their company in minds of rural customer, meeting people directly, not only his sales personal but the HUL accountants, production and human resource,	High awareness levels of people in Rural Areas. People know what product for what purpose. Girls in the remote areas were taking to the company people in English.
2	Project Shakti	Basically a woman empowerment programme, SELF HELP GROUP consisting the group of ladies. To know why a particular product is selling and culture to know their customer right from the grass root level of interaction of Customer with their people across the different departments.	High end products were in demand like DOVE soap, Domex , Knorr Soup etc
3	2001 FOOD REVOLUTION	Reduce food prices, increase consumption and bring more money to farmers	

PERFORMANCE OF HLL ON STOCK EXCHANGE



SENSEX MAY 15,2011BSE: 18345



This was in fact the fate of share price as compared to Sensex. The HUL scrip was up around 44% as compared to Sensex increase of over 400%. This clearly shows something was wrong.

STRATEGIES RE-FRAMED WITH FOCUS ON

1. Emerging markets inside them for example Rural markets which forms heavy disposable income group. For HUL India its top priority.
2. Along with the Shakti Model to Self Help Group on Financial Inclusion resulted in Shakti group member opening an account in the State Bank of India "faster than they do at an SBI branch in Mumbai through biometric identification.
3. Shakti members have become last mile payment collectors for cable operators or even caretakers for low – cost telecom towers.
4. Also in the pipeline is to extend loan to its distributors.
5. From Shakti AMMAS to SHAKTIMAAN: To reach small towns on bicycle.
6. HUL have 20000 SHAKTIMAANS signed up, in addition to 45000- plus SHAKTI AMMAS.
7. 'MORE STORES' MODEL to increase the coverage to two million stores within 24 months.
8. Normally distribution seen as a supply job but HUL is of different view and approach. HUL working on how do we create CONSUMER PULL? It's all about a mindset.
9. The Strategy Of Urban And Rural Is Different. URBAN: Going to more stores is not a competitive advantage. The quality of what they can execute in a store can be a source of Competitive advantage. RURAL: Advantage is to go to more stores.
10. A system of ZERO INVENTORY. It's a programme and uses technology.
11. Focus on consumer buying pattern.
12. FROM supply side job to say treating distribution as Demand side job.

HLL FACING COMPETITION FROM ITC, NESTLE AND OTHERS

NESTLE STRONG: A strong innovation- led approach.

Innovation need not always mean new products→ it could mean new packaging or ingenious pricing.

RURAL INNOVATION: move to sachets has been a big positive for FMCG companies, roping in a large, new section of buyers and enabling penetration- into non urban market.

FINDINGS: NO CYCLICITY INVOLVED SO LESS IMPACT OF

- A. The demand for these goods may not be entirely immune to market-moving factors like GDP growth, inflation or interest rates, but it is not wholly dependent on them gather.
- B. People will keep buying soap, toothpaste even if prices shoot up.

TABLE 2: ITC-STRATEGIES FOR RURAL INDIA

S.NO	APPROACH	FINDINGS	How it works
1.	E- Choupal , strong and enduring farmer partnerships. To link directly with rural farmers via the Internet for procurement of agricultural and aquaculture products like soybeans, wheat, coffee, and prawns	Paid good dividends because of retaining the integral importance of local partners, the company's commitment to transparency, and the respect and fairness with which both farmers and local partners are Treated. Availability (Meeting Local Demand By Increasing Production Locally), Acceptability (Building Brand Equity), And Affordability (Pricing Higher Than Local Brands, But Adapting To Local Conditions) Are The Key Factors	Sanchalak disseminates information about prices, weather, Fertilizers, seeds etc. to the farmers in the village. He has a computer set-up at his house and he Receives information through it on a daily basis.
2.	Choupal Saagar	This is where the farmers bring their produce to be sold to ITC. This is Accompanied by a retail outlet where these farmers can buy various kinds of daily necessities. A Lot of students purchased stuff from this store lured by the heavy discounts.	

DATA ANALYSIS & INTERPRETATION

All the above Strategies/Factors/Variables were converted in various questions and were put to various consumers and retailers and salesman in Rural Areas of Punjab and Haryana. Factor analysis was used for this.

FACTOR ANALYSIS: ROTATED COMPONENT MATRIX

FOLLOWING ARE THE STATEMENTS IN FACTOR ANALYSIS TECHINUE IS USED TO CONVERT THE STATEMENTS IN SCALE VALUE SO THAT FACTOR'S CAN BE MADE OUT OF IT. THE FACTOR LOADING IS USED TO PUT THE STATEMENTS INTO THE FACTOR TO WHICH IT BELONGS.

TABLE 5: FOR THIS ROTATED COMPONENT MATRIX IS USED

Rotated Component Matrix(N=100)				
	Component			
	1	2	3	4
Q13	0.600	0.356	0.525	-0.369
Q14		0.783	0.427	
Q15				0.856
Q16			0.824	0.451
Q17	0.725		0.494	
Q18	0.815			
Q19		0.784		-0.448
Q20		0.338	0.778	-0.429
Q21	-0.452	-0.441		0.636
Q22	-0.536			0.713
Q23		0.912		
Q24	0.186	0.484	-0.705	
Q25	0.898			
Q26		0.388	0.776	0.377
Q27		0.838		

ExtractionMethod:
PrincipalComponentAnalysis.
Rotation Method: Varimax with Kaiser Normalization.

Q13 TO Q 27 ARE THE STATEMENTS.
NO. 1, 2, 3, 4 ARE THE FACTORS FOR THE STATEMENTS.
N = 100 i.e. DATA IS OF 100 RESPONDANTS.
FACTOR VALUES RANGE FROM -0.536 TO 0.912.

The data is arranged in 4 factors and the statements are arranged according showing which statements are having a high degree of relation with the factor and others which are not having a high degree of association with the factor.

Following are the 4 factors under which the statement's have been arranged.

FACTOR 1

RESPONDANTS BELIEF AND ATTITUDE TOWARDS INFORMATION ON FMCG PRODUCTS EFFECTS PURCHASE BEHAVIOR.

FACTOR 2

RELATIONSHIP FORMS THE BASE OF RESPONDANT PERCEIVE QUALITY ABOUT THE PRODUCT IN BUYING PROCESS

FACTOR 3

REFERENCE GROUP PLAYS AN IMPORTANT FACTOR FOR CONSUMER TO BUY/INDUCE TO BUY AN EXPENSIVE PRODUCT.

FACTOR 4

REACH IS IMPORTANT

TABLE 6: VARIANCE EXPLAINED

Total Variance Explained										
Component	Initial Eigen values			Extraction Sums of Squared Loadings	Total	% of Variance	Cumulative %	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %					Total	% of Variance	Cumulative %
1	5.997	39.98	39.98	5.997	39.98	39.98	3.927	26.18	26.18	
2	3.272	21.813	61.79	3.272	21.81	61.79	3.675	24.502	50.682	
3	2.739	18.26	80.05	2.739	18.26	80.05	3.263	21.754	72.436	
4	1.424	9.496	89.55	1.424	9.496	89.55	2.567	17.113	89.549	
5	0.93	6.2	95.75							
6	0.31	2.063	97.81							
7	0.128	0.855	98.67							
8	0.111	0.738	99.41							
9	0.068	0.452	99.86							
10	0.012	0.081	99.94							
11	0.009	0.061	100							
12	0	0.002	100							
13	3.416E-16	2.28E-15	100							
14	-5.864E-17	-3.9E-16	100							
15	-5.212E-16	-3.5E-15	100							
Extraction Method: Principal Component Analysis.										

THE ABOVE DATA SHOWS THE Initial Eigen values, Extraction Sums of Squared LOADINGS AND ROTATION ON SUM OF SQUARED LOADING. THIS SHOWS THAT THE REASON WE HAVE TAKEN ONLY 4 MAIN COMPONENTS or FACTORS FOR DISTRIBUTING THE 15 STATEMENTS.

More over NULL HYPOTHESIS: H0 REJECTED

There is no relation with new marketing strategies by FMCG companies in Rural market and Sales in Rural market.

The analysis shows that there is a positive correlation between adoption of new marketing strategies by FMCG in Rural areas and Sales.

ALTERNATE HYPOTHESIS: H1 ACCEPTED

There is a positive co-correlation between adoption of new marketing strategies by FMCG in Rural areas and Sales.

CONCLUSIONS

These are few of the ways in which the marketing strategy needs to be developed so as to improve the success rate of being successful in Indian rural market. Companies need to re-focus their marketing strategies and start considering the importance of rural market and try to change as per the demand of the rural

market. following are few of the important strategies that can prove to be very useful , by communicating and changing quality perception, by proper communication in Indian language, by target changing perception, by understanding cultural and social values, by providing what customer want, by promoting products with Indian models and actor, by associating themselves with india,by promoting Indian sports team, by talking about a normal Indian, by developing rural-specific products, by giving Indian words for brands, by effective media communication, by adopting localized way of distributing, by associating themselves with Indian celebrities, melas, paintings etc.

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