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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	REVISITING TRAINING EVALUATION SAJEET PRADHAN & DR. RABINDRA KUMAR PRADHAN	1
2.	THE INFLUENCE OF AGE ON CONSUMER ACTIVISM DR. ANTHONY. A. IJEWERE	5
3.	AN INVESTIGATION ON EMOTIONAL INTELLIGENCE OF STUDENTS WITH RESPECT TO STUDENT DEVELOPMENT MODEL AND ITS IMPLICATION ON EMOTIONAL LEARNING SYSTEM IN MALAYSIA DR. VIMALA SANJEEVKUMAR	8
4.	DETERMINANTS OF CHILD LABOUR IN AGRICULTURAL PRODUCTION IN OYO STATE-NIGERIA AJAO, A.O	14
5.	ECONOMIC VALUE ADDED VS. ACCOUNTING RESIDUAL INCOME: WHICH ONE IS A BETTER CRITERION FOR MEASUREMENT OF CREATED SHAREHOLDERS VALUE? MOHAMADREZA ABDOLI, MOHAMADREZA SHURVARZI & AKRAM DAVOODI FAROKHAD	18
6.	ACTIVISM AMONG THE NIGERIA CONSUMERS DR. ANTHONY .A. IJEWERE	23
7.	AN EVALUATIVE STUDY OF USE OF HIP HOP ARTISTS IN MOBILE TELECOMMUNICATIONS ADVERTISEMENTS: A STUDY OF AIRTEL SUBSCRIBERS IN SOUTHEASTERN NIGERIA DR. CHINENYE NWABUEZE & EMMANUEL OKEKE	27
8.	TELECOMMUNICATION, TECHNOLOGY & TRAINING (3TS) - A UNIQUE LEARNING MODEL FOR TELCOS AJAY KR VERMA, SUDHIR WARIER & LRK KRISHNAN	34
9.	FUTURE CHALLENGES OF HRM IN CORPORATIONS OF U.K. IN THE GLOBAL VILLAGE CONTEXT DR. S. P. RATH, DR. BISWAJIT DAS, SATISH JAYARAM & SAMEER DIWANJI	44
10.	PROS AND CONS OF BRAND IMAGE BUILDING THROUGH NON MASS MEDIA: A CONCEPTUAL FRAMEWORK WITH SPECIAL REFERENCE TO ORGANISED RETAIL IN INDIA V.JYOTHIRMAI & DR. R. SIVA RAM PRASAD	47
11.	FEEDBACK ON IMPLEMENTATION OF ONLINE PERFORMANCE MANAGEMENT SYSTEM - A MINI MIX MODEL M. S. R. SESA GIRI & P. V. SARMA	52
12.	PROBLEMS AND PROSPECTS OF SALES PROMOTION IN RURAL MARKETS OF FMCG SECTOR IN INDIA DR. S. LOURDU INITHA & DR. S. GOVINDARAJU	55
13.	FUND GROUPING: A MATHEMATICAL MODEL – PUBLIC AND PRIVATE SECTOR MUTUAL FUNDS IN INDIA DR. K. P. SIVAKUMAR & DR. S. RAJAMOCHAN	60
14.	TESTING STATIONARITY OF BETA AND BETA REGRESSION TENDENCIES IN INDIAN STOCK MARKET DR. BAL KRISHAN & DR. REKHA GUPTA	65
15.	AN EVALUATION OF FINANCES OF DEC OF SRI VENKATESWARA UNIVERSITY, TIRUPATI, A.P. DR. G. VENKATACHALAM & DR. P.MOHAN REDDY	69
16.	COMPLIANCE OF POLLUTION CONTROL MEASURES AMONG INDUSTRIAL UNITS OF PUDUCHERRY S. BALAJI & DR. P. NATARAJAN	74
17.	JOB SATISFACTION AMONG TEACHERS DR. SANDHYA MEHTA	77
18.	MODELING AND MEASURING PRICE DISCOVERY IN COMMODITY MARKET DR. SUYASH N. BHATT	84
19.	CORPORATE CARBON DISCLOSURE THROUGH SUSTAINABILITY REPORT - AN INDIAN EXPERIENCE DR. HEENA SUNIL OZA	90
20.	A STUDY ON CONSUMER BEHAVIOR OF MOBILE PHONES FROM UNIVERCELL STORES IN KERALA J. RAMOLA PREMALATHA, DR. N. SUNDARAM & JIJAY JOSEPH	95
21.	THE STOCHASTIC MODELLING AND RELIABILITY ANALYSIS OF A BATTERY PRODUCTION SYSTEM IN AN INDUSTRY DR. PAWAN KUMAR & ANKUSH BHARTI	98
22.	A STUDY OF IMPACT OF E LEARNING ON UNIVERSITY STUDENTS DR. TUSHAR CHAUDHARI	103
23.	EMOTIONAL INTELLIGENCE AMONG COLLEGE STUDENTS RUKMINI S. & VIJAYA U. PATIL	106
24.	BOOTSTRAPPING: STARTING A BUSINESS ON A BUDGET SHABANA A. MEMON.	111
25.	EMPLOYEE ENGAGEMENT WITH SELECTED FACTORS AT BSNL, HYDERABAD- AN EMPIRICAL STUDY P. LAKSHMI NARAYANAMMA	115
26.	MERGERS AND ACQUISITIONS IN INDIAN INFORMATION TECHNOLOGY INDUSTRY AND ITS IMPACT ON SHAREHOLDERS' WEALTH JAYANT KALGHATGI	118
27.	PLASTIC CARD FRAUDS AND THE COUNTERMEASURES: TOWARDS A SAFER PAYMENT MECHANISM ANUPAMA SHARMA	122
28.	A STUDY ON CAUSES OF JOB STRESS IN THE IT SECTOR OF BANGALORE SHERIL MICHAEL ALMEIDA	126
29.	IMPACT OF TRADITIONAL MEDIA ON JUDICIAL OFFICERS DR. AMIT KUMAR SINGH & MILI SINGH	129
30.	CUSTOMER RELATIONSHIP BUILDING THROUGH SOCIAL NETWORKING WEBSITES VIKRAM SINGH	133
	REQUEST FOR FEEDBACK	138

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RESULTS & DISCUSSION

FINDINGS

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PROBLEMS AND PROSPECTS OF SALES PROMOTION IN RURAL MARKETS OF FMCG SECTOR IN INDIA

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ABSTRACT

Managing constant change is no longer a new phenomenon in the corporate sector. But today's organizations either swim or sink with the changing waters. Since change is inevitable, it is always better that organizations face and manage it, than to avoid the same. The business environment that is highly uncertain, complex and turbulent has forced organizations worldwide to adapt to these changes. Due to the emergence of these changes, Corporate are in continuous search for identifying areas where improvement can be done and bigger market share can be achieved. In this paper, an attempt has been made to identify the problems and to study the prospects of sales promotion in rural markets of Fast Moving Consumer Goods (FMCG) sector. Both primary and secondary data were used for analysis. This study aims to analyse the trend, factors responsible for the growth, popularity of sales promotion schemes of the products in the FMCG Sector in rural markets, and to suggest the ways to increase the market potential. The study revealed that there is a steady increase in the FMCG sector over the last twelve years. Discount offer and Price-pack deal schemes are the two most popular schemes in rural segment of India. The study simplifies 16 possible motivational factors using factor analysis into four major factors for launching the FMCG product into rural segments. The Four major factors are: Behavioural, Market Penetration, Cost, and Competition. If the schemes are sensitive or eye catching, the emotional persuasion becomes relevant. The consumer, middleman, and the sales force utilize these schemes to increase the sales of the product. Low priced brands of the MNCs, small in size, will prove to be successful in course of time. However, failure of monsoons will adversely affect all the sales promotional efforts in this sector to a great extent.

KEYWORDS

FMCG, Factor Analysis, Rural Market, Sales Promotional Schemes, Trend.

INTRODUCTION

Change, change, change – is the buzz word in today's corporate world. Since change is inevitable, it is always better that organizations face and manage it, than to avoid the same. In a competitive economy, sales do not occur automatically. The businessman should prepare the ground for future expansion and evolve new ideas for creating favourable selling situation through innovation and thus establish a market for his products. This can be done with the help of Promotional Strategy which arouses enthusiasm, create buying mood or spark an immediate reaction from the consumer. It influences the attitude of the customer by acquiring the right product at the right time, at the right place and at the right price. Due to the emergence of changes in consumers' attitude, Corporates are in continuous search for identifying areas where improvement can be done and bigger market share can be achieved [Sami A.Khan, 2007]. Therefore, it is essential for every business group to create demand and retain the customers so as to survive in the market through some strategy. One of the strategies adapted is Sales Promotion.

JUSTIFICATION OF THE RESEARCH STUDY

The FMCG industry has moved to the path of globalization and privatization in a novel way. Large private companies and multinational companies (MNCs) entered into the arena and are facing unprecedented competition. The environment so created by globalization is a great challenge to Indian FMCG market. What is therefore required is, the formulation of pragmatic ways and methods and their meticulous implementation to meet the challenges of product promotions. If demand exceeded supply, business had nothing to worry. But the situation started changing after 1991 when some companies fared better in the newly created competitive world. Therefore it is absolutely necessary to introduce innovative promotional schemes for sustainable corporate growth. Sales promotion technique is one of the strategies that help FMCG companies to get a better market share for its sustainable growth. Hence, this study has been undertaken to suggest ways for effective implementation of promotional schemes in rural segments to achieve competitive advantage.

OBJECTIVES OF THE PRESENT STUDY

- To analyse the trend of FMCG sector over the last decade
- To identify and analyse the factors responsible for the growth of FMCG products in to the rural segments from consumers' point of view
- To identify the awareness level of sales promotion schemes by the customers
- To understand consumers and retailer perception towards sales promotion schemes
- To suggest ways to increase the market potential for FMCG products in rural Segments

HYPOTHESES

1. FMCG sector has seen a steady growth in the rural segment during the last few years
2. Awareness about the FMCG products in the rural segment is satisfactory
3. Behavioural changes, place and price play vital role in the growth of FMCG sector in rural areas.

METHODOLOGY

The study is an empirical study using both primary and secondary data. Secondary data were collected from various sources such as journals and magazines, textbooks, newspapers and websites. Primary data were collected using structured questionnaire with three dimensions, namely, consumer perception, popularity of sales promotion schemes, motivational factors responsible for the growth of FMCG products in the rural segments. South Chennai (Tambaram and Sholinganallur Taluks) was selected to collect opinion of the customers. The sample was framed based on the nature of the study using simple random sampling method. To elicit correct opinion, 150 consumers and 50 retailers were interviewed and data were collected during the period of survey, June to August 2011. Only 125 consumer respondents provided complete information and hence the study was confined to 125 consumer respondents. To understand the veracity of data, statistical tools such as one-way tables, two-way tables, Chi-square test, and factor analyses were used.

The sample survey for the research was confined only to South Chennai city due to the familiarity of the researchers. Perhaps, a large number of respondents covering more consumers and retailers in several cities could have helped in refining the findings of this research.

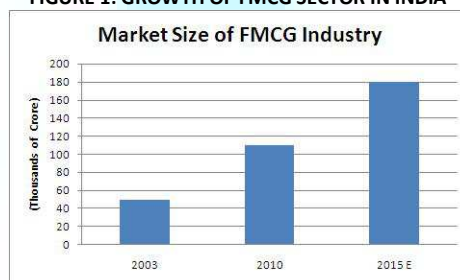
FAST MOVING CONSUMER GOODS (FMCG)

Fast Moving Consumer Goods (FMCG) are popularly named as consumer packaged goods. Items in this category include all consumables (other than groceries and pulses) people buy at regular intervals. It is sold under national and multinational brands in consumer packages through a vast distribution network and is consumed directly by end users [Ganpule, Sane and Bhowmik, 1983]. FMCG products include a 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 may also include pharmaceuticals, consumer electronics, packaged food products, soft drinks, tissue paper, and chocolate bars. These items are meant for daily or frequent consumption and have a high turnover. A subset of FMCGs is Fast Moving Consumer Electronics which include innovative electronic products such as mobile phones, MP3 players, digital cameras, Global Positioning Systems (GPS) and Laptops [www.indiajobs4u.com].

INDUSTRY CLASSIFICATION AND GROWTH STORY OF FMCG SECTOR

The Indian FMCG industry is largely classified as organized and unorganized. Organized manufacturing in the Indian FMCG sector started early in the 20th century. Most FMCG companies were multinationals having started mainly as trading companies. However, with the advent of globalization, the consumer has a wide range of choices. The products are branded and backed by marketing, heavy advertising, slick packaging and strong distribution networks. The FMCG segment can be classified into premium segment and popular segment. The premium segment caters mostly to the upper middle class which is not very price sensitive but brand conscious. The popular segment consists of consumers belonging mainly to the semi-urban or rural areas that are not particularly brand conscious but are price sensitive. FMCG products are sold to meet the necessities in the rural areas whereas the same products are sold in the metros to meet their basic necessities as well as luxuries. [Jha and Singh. 1988]. Figure 1 provides the growth of FMCG sector in India during 2003 – 2010 and estimated growth for the year 2015.

FIGURE 1: GROWTH OF FMCG SECTOR IN INDIA



As seen in the figure, there is a steady growth in the market size of FMCG sector in India over the last ten years. The market size was around Rs. 50000 crores in 2003, it is around 120000 crores in 2010 and if the same trend continues, it will reach around 180000 crores in 2015.

KEY POSITIVES FOR THE GROWTH OF FMCG

A considerable part of the disposable income of the middle class is being spent on buying FMCG products, the planned development of infrastructure like roads, ports, railways and airports, changing lifestyle of young population, modern retail stores which offer shopping ambience, variety and a single-point source for purchases resulting in a potential hike in the demand for these goods.

KEY NEGATIVES FOR THE GROWTH OF FMCG SECTOR

Large part of the branded market threatened by spurious goods and illegal foreign imports, and weakened consumer demand, have heightened the competition in key segments like soaps and detergents, putting pressure on profitability [www.ibef.org].

NEED FOR SALES PROMOTION

In a competitive economy, different firms produce products which are similar in use and appearance but quite dissimilar in quality. In this situation, there is a need for persuasive promotional strategy on the part of individual firms to attract the potential customers and to stimulate their constant demand [Subbi Reddy, 1981]. Sales promotion is a temporary device which is withdrawn after a particular period. It is meant for the end users of the product, services, and channels of distribution [Jah, 2003]. The manufactures provide incentives to wholesalers and retailers using promotional schemes to push their stocks. Hence, they are called Push Promotions. The promotional schemes which attract the customers directly to buy more products are called Pull Promotions and thereby pulling the brand through the channel of distribution [Raghvendra, 1980].

TYPES OF SALES PROMOTIONS

- 1. Consumer Promotions:** Sales promotions directed towards consumers may be done either to increase the use of the product among the existing customers or to attract new customers to retaliate against the competitor's sales activities. The various sales promotion methods at the consumer level are free gifts with goods, picture cards with goods, gift coupons, samples, premium and gifts, flash packs, contest, demonstrations and price pack deals.
- 2. Trade Promotions:** Trade promotions are given to the traders to stock the products, to buy in large quantities, to move merchandise from the warehouse to the retail shelf and to have control over the final price charged to the end consumers. Buying allowance, buy back allowance, free goods, merchandise allowances, dealer listed promotion, price deal, gift to dealers, dealers sales contest, and discount are some of the trade promotion strategies used at the dealers' level [Pillai and Bagavathi, 1990].
- 3. Sales Force Promotions:** Sales promotion directed towards salesmen by giving bonus to sales force and conducting sales force contest to make personal selling effective.

PROSPECTS OF SALES PROMOTION

One of the greatest achievements of the FMCG industry has been the sachet packets which helped companies to introduce products in small package sizes, at lower price points, reach new users and to expand market share for value added products both in rural and urban India. The bargaining power of customers is also high. Sales promotion schemes provide the consumer opportunities to choose the best product among the sprouts of domestic and international companies [Kumar, 2007].

CHALLENGES OF SALES PROMOTION

Most of the FMCG consumers and retailers of the primary survey of the authors felt that, the life of the sales promotional schemes is very short. As soon as these concessions are withdrawn, the demand shall also reduce; Disposable income in the rural segment is highly dependent on good monsoons and a rich

harvest; Role of women in buying process is still not independent of family constraints; inadequate credit availability hampers the ability of retailers to carry stock. There is a feeling that such seasonal sales promotional activities are mainly intended to sell inferior quality products

ANALYSIS AND INTERPRETATION

A walk around a supermarket reveals the function of various sales promotion schemes operating simultaneously. Since the retailers are the nearest point to the consumers, they are the most important link in marketing FMCG products. Mass Media, Word of mouth, point of purchase communication will create consumer awareness to generate a favorable attitude to any sales promotion schemes. These may induce buying habit or the buying of quantities in excess of their immediate requirements.

To assess the popularity of different sales promotional schemes, the respondents of the primary survey were asked to tick his/her preference for a specified scheme listed in the questionnaire. The data thus collected were analysed and the results are given in the Table 1. The study reveals that about 51 per cent of the respondents opted for price discount alone and about 20 per cent prefer price pack deal offers. It is evident from the table that Price pack deal offers and discount offers are the most effective schemes inducing the customers to buy more and influence the consumer's attitude towards top up purchases as well. The word reduction or discount electrifies every consumer. But in reality, the discounts allowed to the dealers are not real because the prices are already inflated. Almost everybody rushes to buy any product which is sold less than the list price. Nearly 18 per cent of the respondents are not carried away by any of these sales promotional schemes.

TABLE 1: POPULARITY OF SALES PROMOTIONAL SCHEMES AMONG CONSUMERS

Schemes	Number	Percentage
Price Discount	64	51.2
Price - Pack Deal alone	25	20.0
Coupons alone	5	4.0
Premium alone	5	4.0
Contest	4	3.2
Not interested	22	17.6
Total	125	100.0

SHIFT OF FMCG SECTOR TOWARDS RURAL AREAS

The Indian fast moving consumer's good market has been witnessing change since the liberalization of our economy in 1991. The consumer landscape is also changing very fast. Consumers in urban market today see an exciting explosion of choices, new categories, new brands, and new shopping options and have increasing disposable income to fulfill their aspirations. They are increasingly seeking convenience and enjoyable shopping malls and self service stores to fulfill their requirements. The traditional retail stores are also undergoing a dynamic change as newer forms of retail outlets and malls are growing in the rural segment. Our market is being exposed to the global market and our rural India offers a tremendous market potential. Realizing this, Corporate India is now investing a sizeable chunk of its marketing budget to target the rural consumers. The rural market has been growing at five times the pace of the urban market [Muraliselvam and Nagarajan, 2005]. In the rural families, there is a remarkable improvement in the form of products used, There is also a visible shift from local and unbranded products to national brands - from low priced brands to premium brands. Since urban regions are already matured, the rural region is expected to be the key growth driver.

TABLE 2: RURAL INDIA – THE GROWTH DRIVER FOR FMCG - MOTIVATIONAL FACTORS

Motivational factors	Very important		Important		Least important		Total		Chi-Square	
	N	%	N	%	N	%	N	%	Value	Sig.
Large domestic market	76	60.8	45	36.0	4	3.2	125	100.0	62.608	0.000
A large consumer goods spender	46	36.8	60	48.0	19	15.2	125	100.0	20.848	0.007
Change in demand pattern of consumer	25	20.0	51	40.8	49	39.2	125	100.0	10.048	0.000
Creating consumer awareness through media to the rural folk	30	24.0	34	27.2	61	48.8	125	100.0	17.968	0.000
Preference for branded goods than non branded goods by rural folk	50	40.0	68	54.4	7	5.6	125	100.0	47.152	0.000
Rural penetration	23	18.4	66	52.8	36	28.8	125	100.0	23.344	0.005
Inflow of foreign remittance and foreign made goods into rural areas	53	42.4	25	20.0	47	37.6	125	100.0	10.432	0.021
Presence of well known brands	44	35.2	28	22.4	53	42.4	125	100.0	7.696	0.002
Well established network	49	39.2	53	42.4	23	18.4	125	100.0	12.736	0.000
Intense competition	32	25.6	25	20.0	68	54.4	125	100.0	25.552	0.000
Excess demand over supply	38	30.4	19	15.2	68	54.4	125	100.0	29.296	0.000
Production base for multinationals	20	16.0	26	20.8	79	63.2	125	100.0	50.608	0.946
Low operational costs	43	34.4	42	33.6	40	32.0	125	100.0	0.112	0.000
Growth of newer form of retail outlets and malls in rural areas	26	20.8	27	21.6	72	57.6	125	100.0	33.136	0.000
Behavioural shift in urban market to villages	40	32.0	62	49.6	23	18.4	125	100.0	18.352	0.000
Sophisticated life-style by the rural folks	28	22.4	35	28.0	62	49.6	125	100.0	15.472	0.000

The questionnaire identified a list of 16 possible motivational factors. The responses obtained from the consumers were analyzed and presented in the form of tables. Table 2 provides details of the motivational factors for the growth of FMCG sector in rural segment. Options such as Very Important, Important, and Least Important were provided for each motivational factor. To test the hypothesis that the respondents evenly responded to the options for each factor, Chi-square test has been applied. It is found that there is no uniformity in the options provided by the consumers for all the factors except for the factor, "Production base for multinationals" which is considered as least important by majority of the respondents. In all other factors, the responses are not evenly distributed. The motivational factors listed in the questionnaire were either considered as important or very important by the respondents. Hence, it is concluded that, almost all the factors are considered as important for the FMCG sector to grow in the rural segment.

FACTOR ANALYSIS

An attempt is made using factor analysis to identify the interrelations between parameters among the 16 factors which are responsible for the growth of FMCG products in rural segment. From the analysis, it is found that there are four major broad factors favouring rural markets growth through sales promotion schemes. It is found that the contribution made by the first factor to the total variances is around 30%, the second factor contributes nearly 23% of the total

variance and the third factor contributes about 13%, and the last factor contributes nearly 10% of the total variance. The four factors contribute nearly 75% of the total variance.

TABLE 3: FACTOR ANALYSIS

Factor 1: Behavioural Factor		
S. No.	Variables	Component Loading
1	A large consumer goods spender	0.874
2	Change in demand pattern of consumer	0.870
3	Preference for branded goods than non branded goods by rural folk	0.811
4	Behavioural shift in urban market to villages	0.704
5	Sophisticated life-style by the rural folk	0.682
6	Inflow of foreign remittance and foreign made goods into rural areas	0.603
Total Variance explained by Factor 1		29.700 %
Factor 2: Market Penetration factor		
1	Large domestic market	0.890
2	Rural penetration	0.751
3	Presence of well known brands	0.655
4	Well established network	0.613
5	Growth of newer form of retail outlets and malls in rural areas	0.570
6	Excess demand over supply	0.568
Total Variance explained by Factor 2		22.532%
Factor 3: Cost Factor		
1	Low operational costs	0.903
2	Production base for multinationals	0.790
3	Creating consumer awareness through media to the rural folk	0.558
Total Variance explained by Factor 3		12.834%
Factor 4: Competition Factor		
1	Intense competition	0.863
Total Variance explained by Factor 4		9.758%

In Factor 1, more variables related to behavioural aspects of the consumers are loaded; it is termed as 'Behavioural Factor'. More variables related to market are loaded in Factor 2; and hence this factor is termed as 'Market Penetration Factor'. Variables related to cost are highly loaded in Factor 3, and hence this factor is termed as 'Cost Factor'. The only variable related to competition has been included in Factor 4 and this factor is termed as 'Competition Factor'.

From the factor analysis, it is evident that the growth of FMCG products is influenced by the behavioural aspects of the consumers, penetration of FMCG products into rural market, cost for marketing the FMCG products into rural segment, and competition among small, large and multinational companies.

CHALLENGES FACED BY FMCG SECTOR IN RURAL MARKET

Primary data analysis indicates that Weekened consumer demands (79.2%), Low export levels (72%), and very high competition (66%) are the major challenges faced by the FMCG Sector to penetrate in to rural segment (Table 4). Adequate supportive promotional strategies should be adopted.

TABLE 4: CHALLENGES FACED

Challenges of FMCG Sector	Least great		Great		Very Great		Total		Chi-Square	
	N	%	N	%	N	%	N	%	Value	Sig.
Lower scope of investing in technology and achieving economies of scale, especially in small sectors	36	28.8	7	5.6	82	65.6	125	100.0	28.640	0.000
Low exports levels	30	24.0	5	4.0	90	72.0	125	100.0	13.776	0.001
Very high competition	33	26.4	9	7.2	83	66.4	125	100.0	28.520	0.000
Higher input costs	56	44.8	31	24.8	38	30.4	125	100.0	14.412	0.001
Inadequate infrastructure	33	26.4	26	20.8	66	52.8	125	100.0	10.029	0.007
Spurious goods and illegal foreign imports- violation of ethical norms	30	24.0	11	8.8	84	67.2	125	100.0	4.184	0.123
Weakened consumer demands	10	8.0	16	12.8	99	79.2	125	100.0	0.777	0.678

SUGGESTIONS TO IMPROVE FMCG SECTOR IN RURAL AREAS

More than two third of the respondents of the primary study suggested the following:

- Creating continuous awareness through media in rural areas (89%),
- Availability of durable and non-durable goods in the shelf of the retailers (81%), and
- Competitive pricing (69%)

If strategies are framed effectively and appropriate schemes are launched and propelled accordingly, then the results will be positive.

CONCLUSION

The study reveals that large number of people is making use of different schemes. It also reveals that Discount Offer has been used by as many as 51% of consumer respondents, followed by Price-pack Deals Schemes. During the interview, the retailer respondents revealed that they have adopted sales promotion schemes during the months of July and August to wipe out or reduce the dead stock which is followed by the reason to promote sales during off-season. The study simplifies 16 possible motivational factors using factor analysis into four major factors for launching the FMCG product into rural segments. It is found from the study that behavioral factor, market penetration factor, cost factor, and competition factor influence the FMCG sector to move towards rural segments. When the demand for the FMCG is at its low ebb, sales promotional schemes act as remedial measures, and play a positive role to boost sales. It also alters the time pattern of consumer purchases.

The effectiveness of the promotional efforts depends on the selection of the promotional schemes. If the schemes are sensitive or eye catching, the emotional persuasion becomes relevant. The Consumer, Middleman and the Sales Forces utilize these schemes to increase the sale of the products. Overall, the sector holds a lot of promise but again this promise is in direct correlation to the economic growth of the country. Each form of sales promotion is used to encourage quick movement of products along the channel of distribution. However, the cutthroat competitions in FMCG Sector will put severe pressure on the margins. There are certain unique problems related to rural market, mainly the lack of infrastructure and dependence on monsoon. Failure of monsoons will adversely affect all the sales promotional efforts in this sector to a great extent.

The rural market for FMCG products is having peculiar characteristic – price sensitive. Sometimes even a rich consumer in rural areas is not ready to buy highly priced branded goods which are very popular in urban areas. Corporates which are successful in selling high priced branded goods are unsuccessful when the similar strategies are applied to enter into the rural market. Therefore they look for different brand strategies, pricing strategies and sales promotional strategies to enter into the rural market. Low priced brands of the MNCs, small in size, will prove to be successful in course of time. Many companies like Colgate Palmolive, Hindustan Lever Limited, Godrej, ITC etc have already made forays into rural households but still capturing the entire market is a distant dream.

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