

# **Leveraging Marketing Mix to enhance retail opportunities for FMCG Products in rural markets**

Kavitha R Gowda <sup>1</sup>, Soney Mathews<sup>2</sup>

**Key Words:** Rural Retailing, Marketing Mix, Rural Markets, Fast Moving Consumer Goods (FMCG)

## **1. INTRODUCTION:**

Consumers in rural segment have certain distinctive characteristics. Their needs and wants are very different from the urban counterparts. In the case of rural marketing the consumers are widely spread and their consumption pattern is low because of their low income. There is a slight improvement in the purchasing pattern of rural consumers as their discretionary income is increasing. There is a demand for consumer products as Middle and high-income households in rural India are increasing. As described by Adi Godrej, Chairman, Godrej Group *“the rural consumer is discerning and the rural market is vibrant. At the current growth, it will soon outstrip the urban market. The rural market is no longer sleeping but we are”*.

## **2. PURPOSE OF RESEARCH:**

Today, in this era of globalization marketers have not only focused serving the needs of urban customers with value, but also have started giving importance to Indian rural market. Rural marketing is the much potential area for the business establishments – especially for the FMCG and the consumer durable industry. By understanding the needs of rural consumers which is different compared to urban consumers based on affordability, the marketer should strive to provide those products and services so as to have a profitable exchange. The companies need to make proper assessment while marketing for the rural India and hence the need to understand the value of unique marketing mix in retailing for rural areas which again is not uniform based on geography, infrastructure, etc.

According to a research commissioned by the Associated Chambers of Commerce and Industry in India, rural areas are propelling the demand for fast moving consumer goods (FMCG), passenger cars, two-wheelers and organized retail goods at comparatively faster

---

<sup>1</sup> Asst. Professor, Symbiosis Institute of Business Management, Bangalore.Kavi\_2\_2000@yahoo.com.

<sup>2</sup> Head of the Department (Operations)--Department of Management, Center for Management Studies-Jain University, Bangalore. soney.haris@gmail.com

pace than the urban areas, and thus, leading to a healthy increase in the revenue of companies despite the global recession. “The FMCG sector in rural areas is expected to grow by 40% against 25% in urban areas,” stated ASSOCHAM. But no time frame for these predictions is given by the Association. With current estimated value of over Rs 560,000 Crore, or nearly 40% of the total retail market valued at Rs 1,400,000 Crore, the rural retail market will remain as the potential area for growth.<sup>3</sup>

Sayulu and Ramana Reddy (1996) suggested that the rural market offers a very promising future. But this market has certain characteristics that hinder marketers from exploring the opportunities. These include low literacy level, ignorance of consumer rights, indifference to quality standards and lack of cooperative spirit.<sup>4</sup>

Ramana Rao (1997) observes that the boom in rural area is caused by such factors as increased discretionary income, rural development scheme, improved infrastructure, increased awareness, expanding private TV channel coverage and emphasis on rural market by companies.<sup>5</sup>

Sekkthivel (2006) has gauged that companies intended to attract the rural consumers ought to very courteous in their approach and should try to develop the personal rapport by offering better products and supportive services. Once this is done, they don't have to worry about promotion as word of mouth will take care of it.<sup>6</sup>

If not all the villages to the same extent, but many rural areas willingness to spend on ‘cut-pieces’ which means retailing to greater extent, and government's encouragement, has made many companies including multinational companies to target rural areas as potential market.

---

<sup>3</sup> FMCG demand surging in rural India, <http://www.rncos.com//2009/04/>

<sup>4</sup> Sayulu,K.,& Ramana Reddy,V.V. (1996),Socio-economic influences on rural consumer behavior-An empirical study, Management Researches,3,41-51

<sup>5</sup> Ramana Rao P.V. (1997), Rural market problems and prospective, Indian Journal of Marketing, 27, 17-19.

<sup>6</sup> Sekkthivel, A.M. (2006), Designing Integrated Promotion Mechanism to influence Indian rural consumers buying behaviour, Advertising Express, 36-42.

Low and Tan (1995) suggest that marketing mix concept has two important benefits. First, it is an important tool used to enable one to see that the marketing manager's job is, in a large part, a matter of trading off the benefits of one's competitive strength in the marketing mix against the benefits of others. The second benefit of the marketing mix is that it helps to reveal another dimension of the marketing manager's job.<sup>5</sup>

McCarthy (1960; 1964) initially defined the elements in the marketing mix, the 4Ps, as the controllable variables that an organization can co-ordinate to satisfy its target market. The 4Ps of the marketing mix – product, price, place and promotion are briefly described as follows (Copley, 2004).

(1) Product: The item or service being marketed, through its features, quality, benefits and quantities.

(2) Price: This includes the price of the item and product assortments and lines, price changes and payment methods.

(3) Place: The location where the product or service is available to the customer, including distribution channels.

(4) Promotion: Market communication is achieved by personal selling, advertising, direct marketing, public relations, sales promotion and sponsorship.<sup>6</sup>

### **3. OBJECTIVES OF THE STUDY:**

The objective of the study is to analyze the marketing mix specific to rural marketing in India with special reference to fast moving consumer goods (FMCG) like biscuits, shampoos, toilet soap and cooking oil and to understand the influence of marketing mix variables of buyer behavior of rural consumers while purchasing these products in Malur Town and four villages near Malur.

---

5. Low, S. P. and Tan, M. C. S., "A Convergence of Western Marketing Mix Concepts and Oriental Strategic Thinking," *Marketing Intelligence & Planning*, Vol. 13, No. 2, pp. 36-46.

6. McCarthy, E. J. (1960). *Basic Marketing: A Managerial Approach*, IL: Richard D. Irwin.  
McCarthy, E. J. (1964), *Basic Marketing*, IL: Richard D. Irwin.

#### **4. RESEARCH SIGHT:**

Malur is at a distance of 43 km from Bangalore City. The places near Malur are Whitefield, Hoskote, Hosur etc. As of 2001 India census, Malur had a population of 27,791. Males constitute 51% of the population and females 49%. Malur has an average literacy rate of 67%, higher than the national average of 59.5%: male literacy is 73%, and female literacy is 61%. In Malur, 13% of the population is under 6 years of age. The economy of Malur is primarily dependent on agriculture, famous for clay tile-and-brick industry and some small scale industries.

#### **5. METHODOLOGY:**

This study was done in Malur Taluk and four villages around Malur, Kolar District, Karnataka, with the objective of exploring the dynamics of marketing mix in rural India. The study was done through sample survey using structured questionnaire supported by interview technique.

**Sample size:** 250 consumers (respondents) chosen from 4 (Araleri, Medahatti, Upparahalli, Bingipura) villages around Malur and Malur Taluk, Kolar District in Karnataka State by convenient sampling.

**Sources of data collection:** Primary data collection with the help of specially designed questionnaire covering preferences for pricing, branded products, etc., to the respondents supported by interview to understand the influence of marketing mix variables of buyer behaviour of rural consumers of Malur, Karnataka district.

**Period of the study:** This study is based on field survey which has been conducted in February 2011. The perspective background of the study refers to the time span from February 2011 - April 2011.

**Plan of analysis:** The collected data is put to statistical test depending upon the requirements. Univariate, Bivariate analysis along with simple statistical tools like frequency and percentage techniques are also used to interpret the data.

## 6. MAJOR FINDINGS:

Crucial socioeconomic parameters of interest were investigated to bring to the fore salient characteristics of the respondents of rural India. Rural consumers are vibrant and their consumer behaviour is different compared to urban market. This research tries to understand the behaviour pattern of rural consumers. Based on these information marketers can incorporate mix strategies for their products/services.

**Table 5.1: Distribution of respondents by gender:**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	126	50.4
Female	124	49.6
<b>Total</b>	<b>250</b>	<b>100</b>

*Source:* Analysis of Field Survey

Table 5.1 above shows that respondents of the products are almost evenly distributed among both genders, with the number of males marginally higher (50.4%) than that of female (49.6%). This may suggest gender neutrality in the consumption of the products among respondents.

**Table 5.2: Age distribution of respondents:**

<b>Age in Years</b>	<b>Frequency</b>	<b>Percentage</b>
20-29	62	25
30-39	62	25
40-49	63	25
50-59	63	25
<b>Total</b>	<b>250</b>	<b>100</b>

*Source:* Analysis of Field Survey

The above table 5.2 shows the respondents' age range between 20 and 59 years. It's seen from the distribution that all the respondents were evenly grouped based on each age group categories i.e. 25% of them in each age group.

**Table 5.3: Brand awareness of respondents:**

<b>Biscuits</b>	<b>Frequenc y</b>	<b>Shampo o</b>	<b>Frequenc y</b>	<b>Toilet Soaps</b>	<b>Frequenc y</b>	<b>Cookin g Oil</b>	<b>Frequenc y</b>
Parle	250(100)*	Chick	250(100)	Lifebou y	250(100)	Sunpure	200(80)
Sunfeast	200(80)	Sunsilk	250(100)	Lux	250(100)	Gemini	250(100)
Britanni a	200(80)	Pantene	200(80)	Pears	210(84)	Fortune	150(60)
Unibic	50(20)	clinic plus	200(80)	Santoor	200(80)	Ruchi	200(80)
Others	70(28)	Others	50(20)	Others	80(32)	Others	90(36)

Source: Analysis of Field Survey

\*Figure in brackets are percentage

Table 5.3 shows the brand awareness of respondents on the different product categories like biscuits, shampoos, toilet soaps and cooking oil. Parle Biscuits has the maximum awareness amongst the other brand of biscuits. Almost all the respondents were aware about this brand. In the case of shampoo Sunsilk and Chick has maximum awareness i.e. all 250 respondents mentioned about their awareness. Lifebouy and Lux toilet soap brands have the maximum awareness. In the case of cooking oil Sunpure and Gemini has got the maximum awareness.

**Table 5.3: Respondents sources of brand awareness:**

<b>Sources</b>	<b>Frequency</b>	<b>Percentage</b>
Advertisement	75	30
Word Of Mouth	100	40
Sales Promotion	75	30
<b>Total</b>	<b>250</b>	<b>100</b>

Source: Analysis of Field Survey

Most (40%) of the rural consumers were aware of these brand of products through word of mouth. However, an equal percentage of 30% could get the brand awareness through advertisement and sales promotion.

**Table 5.4: Place (store) preference of respondents while purchasing:**

<b>Place</b>	<b>Frequency</b>	<b>Percentage</b>
Kirana Stores	180	72
Fair Price stores	50	20
Super Stores	20	8
<b>Total</b>	<b>250</b>	<b>100</b>

Source: Analysis of Field Survey

Table 5.4 reveals the preference of different place by rural consumers while purchasing products. Consumers viewed the place as one of the important factor while purchasing products. The order of preference was first kirana stores (72%) then fair price stores (20%) and finally super stores (8%).

**Table 5.5: Respondents product purchase preference:**

	Biscuits (Frequency & Percentage)	Shampoo (Frequency & Percentage)	Toilet Soaps (Frequency & Percentage)	Cooking Oil (Frequency & Percentage)
Children	250(100)*	120(48)	200(80)	50(20)
Self	100(40)	250(100)	180(72)	50(20)
Guest	120(48)	60(24)	90(36)	80(32)
Family	50(20)	180(72)	180(72)	200(80)

*Source:* Analysis of Field Survey

\*Figure in brackets are percentage

From the the table 5.5. it is clear that for the product biscuit, priority in buying is given more as per children’s need and requirement, for shampoo, the buyer buys for various reason but mostly for self, for soaps, based on what children prefer buy first as a reason while rest for other purposes while for cooking oil, entire family is considered for buying in quantity.

For products biscuits and toilet soaps children are given importance, and hence marketers can further target children in marketing mix. Even in rural areas children influence purchase decision making.

**Findings on marketing mix:**

**Product:** People at research area are ‘utility oriented’; respondents don’t like to spend money on products if the utility is less. Respondents expect branded goods to be sold at less, and do not expect sophisticated packing (e.g. plastic tray having biscuits arranged in it, zip locker packaging etc.). Since expenses can be reduced by not adding the plastic tray, that percentage of expenses can be utilised for packing in small quantities.

It has also been observed that cream biscuits in all the rural areas sell most. Marketers can add varieties of creams in biscuits offerings.

Also, biscuits packed in small quantities are preferred.

**Price:** Villagers' are highly price cautious. Given an opportunity to choose among any four brands, respondents preferred the one which is sold at a lesser price (Lifebouy toilet soap) and are not very loyal to any brand.

Example: Retailer's find more profits by buying a huge tin of well known oil (Sunpure) and sells for Rs 5, Rs 10 for 50ml, 100ml. Since a litre of Sunpure Sunflower oil costs between Rs 58 – Rs. 70, respondents find it expensive to buy in one shot. Respondents here are not loyal to a particular brand to greater extent because of pricing.

Thus, making way for unbranded cooking oil to sell more manufactured in nearby locality.

Since biscuits priced at Rs2 and Rs.3 sell most in these rural areas, Parle G and Tiger Biscuits sell the most.

If 2 cream biscuits are packed without tray inside thus reducing the cost, in various flavours can sell the most at the above pricing.

In the category of bathing soaps, medimix while in cooking oil, Gold Winner 9 (other than local unbranded oil) also sells well due to its ease in availability and low pricing.

Also, cooking oil, is purchased in small quantities many times( frequency is higher) since consumption is faster due to family size and everyday consumption of food.

**Place:** Among the five villages, Malur has got a wider distribution of retailers operating with 100 sq ft to maximum of 300 sq ft area with less than 200 number of retailers, while in Araleri for a population of around 3000, not more than 10 retailers are available. In the case of Bingipura, Medahatti and Upparahalli (population of not more than 800-850) there are just 5 stores each available. Since product providers are few, it is only through these retailers that the product reaches the village respondents, marketers should keep these retailers happy in order to store their goods by giving them good commission or gifts.

What may not be available for users who need a change in the product used, Malur is the ultimate destiny.

**Promotion:** Marketers are very familiar with the media to be used for promotion. In urban areas mass media vehicles are used such as television, radio, print, hording, internet, mobile etc. In the case of rural markets the reach of mass media **is only through TV**. In this research too it was found that villagers prefer non-traditional media like wall painting

especially near bus stop, cinema hall etc. These kinds of promotional activities generate a lot of visibility among the rural audience. Malur and nearby villages are polyglot i.e. with a high frequency level of many languages like Kannada, Telugu, Tamil, Urdu, Hindi, English (few). Every house in these villages have television which is connected with cable network. Udaya TV, E- TV, Doordarshan, Suvarna, etc, are the common channels available in and around Malur region. This gives an opportunity for marketers to give their product advertisement in different languages.

## **7. IMPLICATIONS:**

- Respondents of research study are Polyglot as they speak Kannada, Telugu, Tamil, Urdu, Hindi, English (few) and hence for mass communication, it is essential to have a good relationship with the cable TV operators so that they keep important channels connected and put advertisements through local cable channel too.
- Kolar is known for Gold Mines which is still famous place in Karnataka.
- Malur's literacy rate is 67% which is much higher than National average 59.5% in itself is a proof for marketers for aggressive promotion through TV adds, radios, wall painting, hoardings, etc.
- It can also be noticed that respondents of the mentioned 5 regions where the research was conducted have portable TV's more in number than fans which is very much essential since these regions are most of the time pretty hot in temperature. This indicates that people are fond of watching Televisions, hence is easier for marketers for implementing AIDA Formula (Attention, Interest, Desire and Action).

## **Applicability in India as whole:**

India is composed of more than 6,27,000 villages. If not all the villages to the same extent, but atleast to certain extent, they are similar in terms of price sensitivity, brand awareness, purchase decision making (buying in small quantities). Given an opportunity to pay in instalments for a longer period than for urban respondents, even here marketers can make effective increased sales. Hence a strategy made to sell in these regions can also be implemented to other few villages which are similar in composition in most ways.

### **Relevance of findings:**

Since Malur is closer to Bangalore, with well connected roads, marketers will not find it difficult for transportation of their goods. But can work smarter to send full loads, with improved packing so that goods at retailers stores do not get spoiled. Since the retailers' shops are small, many of the retailers store goods in their houses too. Like many villages have periodic market, even in Malur once in a week there is a fair/market where a marketer, can also have a temporary shop, to initially give free sachets which attracts the villagers in a better way can be considered as initial move so that respondents can atleast try without spending since these respondents are laggards or non-innovators (they don't want to take risk).

Retailers since they are the middlemen from whom the end users buy are also indirect influencers. In order to make them buy a marketer's products, they have to be convinced either by giving gifts, or like what Pepsi/Coca-cola does by providing some household goods as gift if they sell more crates of the soft drink.

### **REFERENCES:**

1. Balaji Sathya Narayanan (2007), Rural marketing the road of sustainable growth, Marketing Mastermind, 8(5), 22-24.
2. FMCG demand surging in rural India, <http://www.rncos.com/> /2009/04/
3. Gopal,V.V., Tapping Rural Markets, Icfai University Press.
4. Gupta,S.L., & Pal, Sumitra (2002), Consumer behaviour: An Indian context, New Delhi, Sultan Chand & Sons.
5. Hilin,D.(2003), Rural marketing is a different ballgame, Indian Management, Vol 42, November 2003.
6. Kumar S., & Madhavi,C., (2006), Rural marketing for FMCG, Indian Journal of Marketing, 36,19-38.
7. Miller, Nancy,J., & Kean, Rita,C., (1999), Factors contributing to in shopping behaviour in rural trade areas: Implications for local retailers, Journal of small business management, 35(2), 80-94.
8. Ramana Rao P.V. (1997), Rural market problems and prospective, Indian Journal of Marketing, 27, 17-19.
9. Sayulu,K.,& Ramana Reddy,V.V. (1996),Socio-economic influences on rural consumer behavior-An empirical study, Management Researches,3,41-51
10. Sekkthivel, A.M. (2006), Designing Integrated Promotion Mechanism to influence Indian rural consumers buying behaviour, Advertising Express, 36-42.

\*\*\*\*\*