

A COMPARATIVE ANALYSIS OF RURAL FAST-MOVING CONSUMER GOODS MARKET DEVELOPMENT, DIFFICULTIES AND PROSPECTS

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ABSTRACT

The fourth-largest sector of the Indian economy, fast-moving consumer goods (FMCG), makes a significant contribution to India's GDP. Similar to other countries, India's FMCG industry has had success selling goods to lower- and middle-income consumers. Today, middle class households account for over 70% of sales, and rural India accounts for over 50%. A growing rural population with rising wages and a willingness to spend money on products that enhance lifestyle is exciting to the industry. Additionally, due to the near saturation and fierce rivalry in urban India, many FMCG firms are under pressure to develop innovative new techniques for effectively reaching rural consumers. It goes without saying that with changing demographics, the pattern of marketing will also alter. The FMCG industry in India is seeing a transformation in the way it is growing. Rural markets will control a growing portion of the entire FMCG market as rural penetration rises. Although urban markets are expanding as well, rural areas are adding customers and households at a rate that is significantly higher than urban markets. Most FMCG majors now use rural marketing as their latest marketing mantra. The rural areas of India are enormous and full of untapped potential. As a result, the Indian FMCG industry is hard at work developing a parallel rural marketing strategy. The development, opportunity, and constraints facing FMCG companies in the rural sector are therefore compared. In-depth information about the expansion of the FMCG sector in rural India will be provided in this paper, along with an examination of the opportunities and challenges faced by the industry there as a result of rising brand awareness among people from all socioeconomic classes living in rural India.

Keywords – FMCG, Rural Market, Rural Consumer.

I. INTRODUCTION

The massive population of India has traditionally provided FMCG companies with a sizable potential market. The improving economic circumstances of both urban and rural consumers have aided FMCG companies in their efforts to further expand their market into the country's hinterlands. The Indian FMCG companies benefit from a diverse industrial base and provide consumers with a range of goods, including packaged foods, beverages, grooming products, healthcare products, plastic products, bulbs, batteries, glassware, and personal care items. It is the fourth-largest industry in India, employing over 3 million people and having a market of over Rs 110,000 crore (\$22 billion), which is expected to increase to over Rs 185,000 crore (\$37 billion) by 2014. A well-established distribution network, low levels of market penetration, low operational costs, reduced per-capita consumption, and fierce competition between organised and unorganised segments define the FMCG industry.

Consumer packaged goods (CPGs) is another name for Fast Moving Consumer Goods (FMCG) products. All consumables that people regularly purchase (apart from food and pulses) fall under this category. Toilet soaps, detergents, shampoos, toothpaste, shaving supplies, shoe polish, packaged foods, home furnishings, and several technology items are among the most popular items on the list. These products have a high return and are designed for daily or regular consumption.

Fast Moving Consumer Electronics is a subgroup of FMCGs that includes cutting-edge electronic items including mobile phones, MP3 players, digital cameras, GPS systems, and laptops. Compared to other electronic products, these need to be changed more regularly. In the FMCG industry, "white goods" refers to home electronics like refrigerators, televisions, music players, etc.

II. INDIA'S FMCG INDUSTRY GROWTH

The Indian FMCG market provides both domestic and foreign competitors with an even playing field. Regional and local producers are more dominant than any national and international brands in India. According to an AC Nielsen poll, the Indian consumer market, particularly the Fast Moving Consumer Goods (FMCG) sector, is expected to reach \$20 billion by 2018 and \$100 billion by 2025. Fruit drinks, shampoos, and cookies are among the most popular consumer goods in India's rural and semi-urban areas and would likely remain so.

It also showed that between 2000 and 2010, the FMCG sector grew 3.5 times faster in rural India than it did in urban India (3.2 times faster).

According to MotilalOswal's Annual Global Investor Conference 2011, the FMCG sector in India experienced average annual volume growth of 8.5% between 2000 and 2010, with a compound annual growth rate (CAGR) of 11.2%. Increased spending, rising income levels, alterations in lifestyles, and demographic shifts have all been linked to this expansion. The seminar featured data from an AC Nielsen poll that showed India's rural sector generates around 33% of the country's annual revenue. It added that the FMCG industry generated \$30 billion in revenue in 2010. Food accounts for around 52% of this sector's total sales, followed by nonfood at 45% and over-the-counter (OTC) items at 3%. By 2020, the Indian FMCG industry is projected to increase by 12% to 17%, reaching a market size of \$4,200 billion to \$6,200 billion, according to Booz & Company. According to a McKinsey Global Institute (MGI) report, India's revenues will likely increase three times over the next two decades, and by 2025, it would rank as the fifth largest consumer market in the world.

Market share changes show that firms with dominance in their main categories, like Marico Ltd. and Nestle India Ltd., have increased their market shares and outpaced competitors in the FMCG industry. The absence of competition in the relevant categories has also contributed to this.

Leaders in just one product category, such as Colgate Palmolive India Ltd and Britannia Industries Ltd, have also seen growth in their respective markets thanks to innovations and effective distribution. With resurgent development in semi-urban and rural areas, strong companies in the economy segment like Godrej Consumer Products Ltd in soaps and Dabur in toothpastes have also seen market share improvements.

Many product categories have very low penetration rates and per capita consumption when compared to global averages, indicating untapped market potential. The mushrooming Indian population, especially the rural and middle class groups, offers FMCG companies a vast untapped market. Consumer 'upgrading' in mature product categories like processed and packaged food, mouthwash, etc. is also likely to contribute to growth. The presence of foreign businesses through their subsidiaries (HLL, P&G, Nestle), which guarantees creative product introductions in the market from their parent's portfolio, is a distinctive element of the FMCG industry.

India's rural FMCG market is about to experience a significant nationwide expansion. Small-time retailers often dominate the largely unorganised Indian rural FMCG market. Only urban areas in India have access to the organised FMCG market. Directly or indirectly, agriculture provides the majority of the livelihood in rural India. Additionally, approximately 68% of Indians live in the country's 6,00,000 villages. India's rural areas give the FMCG sector great growth potential. The development of India's rural FMCG market would be aided

by the facilitation of better rural infrastructure in the form of roads, telecommunications, electricity, supply chains, and transportation. The FMCG industry, which has great growth potential, includes the food and beverage industry, the health care industry, and the personal care industry. Rural India currently consumes 34% of all FMCG, but it consumes more than 40% of the major FMCG categories like personal care, hot beverages, and fabric care.

III. INDIA'S RURAL MARKET

Since the economy as a whole has grown, rural people' purchasing power has significantly increased, giving rural marketplaces increased prominence in nations like China and India. Due to India's "green revolution," a lot of produced goods from the industrial and urban sectors are being consumed in the rural areas. In this situation, a unique marketing approach called rural marketing has emerged. The "high opportunity" market in rural India is no longer just an opportunity; it is now producing outcomes. Rural marketing as a concept in India People's lives have always been influenced by the economy. All of India's districts and industrial townships are connected to rural markets, with the exception of a few major cities.

Rural Consumer:

In India, there is a persistent divide between consumers in rural and urban areas. The rural population of India has a high rate of poverty and illiteracy. Lack of literacy makes it difficult to distinguish between brands and understand the simple information on packaging. Low and erratic purchasing power is a result of poverty and reliance on the whims of the monsoon. Additionally, since products are sold at a loss, branded sealed products face intense competition. Strongly influential leaders like the members of the local panchayat, caste and religious leaders, etc. coexist with ignorance and illiteracy. Rural consumers are undoubtedly price-sensitive since they differ from their metropolitan counterparts in terms of economics, society, and psychology.

IV. MARKET SIZE FOR FMCG SECTORS IN RURAL INDIA

The socioeconomic and behavioural elements present in India's rural areas have a significant impact on this market, which cannot be considered a distinct entity in and of itself. According to the Census of 2011, the rural market in India is anticipated to be made up of 83.3 crore people, or 68.84% of the country's total population. Since the majority of consumers in this country reside in rural areas, the rural market generates higher national income. Nearly half of the nation's income comes from the rural economy. A sizable portion of rural India's GDP comes from activities like agriculture, self-employment, services, construction, etc. Increased income, higher levels of education and awareness, increased interaction with the outside world,

and emerging technologies all provide the rural population more influence. In contrast to urban areas, demand is higher in rural consumer trends, new ways of living, and most significantly the transition from agriculture to manufacturing, independent work, and building.

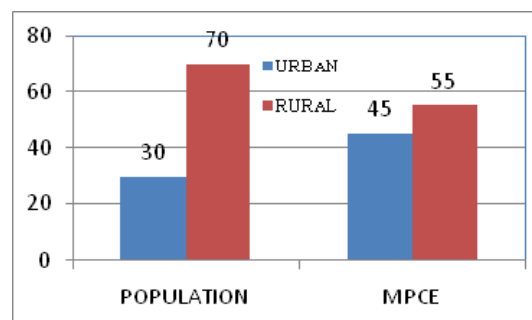
MPCE Based on 63rd Round of NSSO:

As per a strict measure used by the National Sample Survey in its 63rd round, called Monthly Per Capita Expenditure, rural expenditure accounts for 55% of total national monthly expenditure and can be seen in the above Fig. The rural population currently accounts for one-third of the total Indian FMCG sales.

Rural Urban Demand:

The table shows that the percentage increased income. A significant portion of rural India's GDP comes from agriculture, self-employment, and services. Urban areas have higher food oil and packaged biscuit demand than rural areas. yet overall building, etc. The rural populace has access To additional things like toiletries, shampoos, and healthy beverages increasing income, enhancing knowledge and awareness The rise of soaps, washing cakes, and washing powder levels, improved communication with others, and evolving In contrast to urban areas, demand is higher in rural consumer trends, new ways of living, and—most significantly—the transition from agriculture to manufacturing, independent work, and building.

The major change in rural communities over the past few years has been the decreasing reliance on agricultural income, which may or may not be related to the increase in food production, but it does have a role to play. Non-farm income's contribution to urban areas. As a result, we can conclude that the rate of growth in rural areas for the consumption of these goods is larger than the rate of growth in urban areas. Therefore, after examining the rural percentage of consumer goods in stock, consumer demand, desire for consumables, and the disparity between rural and urban demand, we may conclude that the rural markets are becoming increasingly profitable for FMCG marketers due to growing demand in villages.



Difference in Rural Urban Demand(Consumables)

Items	Area	2001-02 (in '000)	2009-10 (in '000)	% Increase
Edible Oil	Urban	2328.0	3966.5	71.24
	Rural	4681.6	666.2	42.3
Health Beverages	Urban	96.5	223.4	131.5
	Rural	37.0	88.9	140.2
Packed Biscuits	Urban	550.4	1091.0	98.2
	Rural	294.4	521.6	77.1
Shampoos	Urban	13.6	31.4	130.8
	Rural	6.7	16.3	143.2
Toilet Soap	Urban	335.9	464.2	38.1
	Rural	469.4	657.7	40.1
Washing Cakes	Urban	510.7	616.5	20.7
	Rural	1351.7	2104.5	55.6
Washing Powder	Urban	847.1	1485.4	75.3
	Rural	1006.2	1847.8	83.8

Source :The Great Indian Market National Council of applied Economic Research

V. DIFFICULTIES FMCG Sectors Face in Rural Marketing

The peculiarities of the rural markets and rural consumers pose challenges to the marketers in reaching them effectively. While making out a case for opportunities that are rapidly developing in rural markets, one should not underestimate the several daunting problems in planning for growth. There are a large number of small villages which are not easily accessible because of all weather roads. Rural consumers are far less homogeneous than urban consumers. The main problems of rural marketing are discussed below:

Transportation problems: Transportation infrastructure is quite poor in rural India. Nearly 80 percentages of villages in the country are not connected by well constructed roads. Marketing activities require transportation facilities. Due to poor transportation facilities, farmers and marketers find it difficult to reach markets.

Warehousing: In the rural areas, there are no facilities for public as well as private warehousing. Marketers face problem of storage of their goods.

Packaging: It is the first important step of product processing. If the packaging cost is high, it will increase the total cost of products. It is suggested that the marketers should use cheaper materials in packaging for the rural markets.

Media Problems: Media have lots of problems in rural areas. Television is a good medium to communicate

message to the rural people. But due to non-availability of power, as well as television sets, majority of the rural population cannot get the benefits of various media.

Seasonal Marketing: The main problem of rural marketing is seasonal demand in rural areas, because 75% of rural income is also seasonal. For example, the demand for consumer goods will be high during the peak crop harvesting period, because this is the time at which the rural people have substantial high cash flow. Rural marketing depends upon the demand of rural people and demand depends upon income and consumer behaviour.

Low Per Capita Income: Per capita income is lower in rural areas compared to those in urban areas. Again, the distribution of rural income is highly skewed, since the land holding pattern, which is basic asset, itself is skewed. Thus the rural population presents a highly heterogeneous spread in the villages.

Low Level of Literacy Rate: The literacy rate is low in rural areas compared to urban areas. This again leads to the problem of communication for promotion purpose. Print medium becomes ineffective and to an extent irrelevant in rural areas since its reach is poor.

Distribution: An effective distribution system requires village-level shopkeeper, Mandal/ Taluka- level wholesaler or preferred dealer, distributor or stockiest at district level and company-owned depot or consignment distribution at state level. The presence of too many tiers in the distribution system increases the cost of distribution

Career in Rural Market: While rural marketing offers a challenging career, a rural sales person should require certain qualifications and specialized talent to deal with rural consumers.

There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India is still in evolving shape, and the sector poses a variety of challenges. Distribution costs and non-availability of retail outlets are major problems faced by the marketers. . The unique consumption patterns, tastes, and needs of the rural consumers should be analyzed at the product planning stage so that they match the needs of the rural people. Therefore, marketers need to understand the social dynamics and attitude variations within each village though nationally it follows a consistent pattern.

VI. FACTORS RELATING TO FUTURE PARADIGMS OF RURAL MARKETING

Increase in purchasing power and disposable income: Projects from the private companies and the rural employment initiatives by the governmental like NREGA (National Rural Employment Guarantee) schemes have given the rural population an opportunity to meet their daily needs. The loan waiver in the agriculture

sector and an increasing demand for labour in the urban areas, has given a boost to the income levels in the rural sectors. Consequent lifestyle up grade has added a new spectrum.

Accessibility of market: Improvement in the road systems linking the villages has led to a systematic product distribution system. Earlier, there was a “trickle down “of the stocks observed to the buyers in the interior villages. These days, companies use delivery cum promotion vans that travel 8-10 haats/markets daily as a part of direct contact with villagers.

Competition in the urban market: The urban markets have got extremely saturated with the presence of all big players. This is very much evident in the automobile market. Motorcycles and scooters often find more acceptances in rural market as compared to urban market, since there is more proliferation of brands in the latter markets.

Availability deals with making the product reach the consumers. For this purpose a highly integrated extensive distribution network is necessary and in rural context, the company incurs higher cost towards the logistics as compared to urban areas. In case of Shakti campaign, the local Shakti Amma’s are selected based on their popularity which allows faster access to products.

Affordability involves pricing the product in such a manner that the people are attracted and at the same time it covers all the cost incurred.

Acceptability encompasses issues how the product or service could be made more acceptable to the rural consumers by incorporating attractive features. For example, Eveready came out with Jeevan-Sathi torches, with features like durable design and long life to make it more acceptable.

Awareness is linked to the issues of promotion of product in rural areas. The promotion needs to be adapted to the village environment, the local language and means of communication used. The best places to promote could be the frequently visited local haats and melas, the local festivals. Agricultural cycles require a major consideration too. As rural household’s form 72% of total households and increasing levels of income coupled with more and more penetration to the rural markets is expected to take rural FMCG from the current Rs. 87,900 crore to a market size of Rs. 1, 06,300 crore in 2012, which is a CAGR of 10%. Moreover, the global information and measurement company Nielson has revealed that around 80% of FMCG categories are growing faster in rural India as against urban India. There is a huge growth potential for all the FMCG companies as the per capita consumption of almost all products in the country is amongst the lowest in the world.

VI. CONCLUSION

The FMCG sectors seem to have a lot of potential in the new phase of rural consumption. According to the survey, marketers will need to develop new approaches to connect and communicate with consumers who are more informed and open-minded than before. As a result, the cycles for developing products and brands will need to change drastically. The modern rural consumer is not just opulent but also "smart"; she seeks out goods that combine the greatest aspects of conventional wisdom and modern science while yet allowing for her individuality and ease. As a result, initiatives for products and brands that address these needs have a higher chance of being successful. This more assertive and individualistic consumer isn't hesitant to show off and "externalize" the desire to overindulge. The brands that succeed will be those that understand this and combine it with concepts that give "individualized convenience." If these businesses are able to alter the thinking of the consumer and provide new generation items, the demand or prospect may increase even more. Therefore, it is safe to assume that the FMCG industries' rural markets will be the main sources of growth in the future.

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