

FMCG PRODUCT BUYING BEHAVIOUR OF RURAL CONSUMER - A REVIEW

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Abstract: Today, 70% of the population of India lives in more than six hundred thousand villages. These rural peoples are known for their low literacy rate, low income status, non-aware of brands, improper means of communication, inadequate transportation facility but have distinct norms, cultures and rituals. Rural people were more rigid with respect to their cultural values than urban and due to their distinct characteristics, marketers often fails to place their product in the rural market as the buying behaviour of rural consumer is somewhat different than that of urban consumers. This paper made an attempt to understand the buying behaviour of rural consumers with respect to FMCG products and various factors influencing their purchase decisions. FMCG has emerged as a major product category in rural consumption. Companies marketing FMCG to rural consumers cannot merely extend their general marketing strategies to rural markets. Instead, they need to devise rural specific strategies. In this process, they need to understand crucial issues relating to rural consumer behavior and more specifically relating to different geographic regions of the country. This paper focuses on understanding factors that affect the rural purchase of FMCG with the help of secondary data through the literature review.

Index Terms - Trust factor, Price, Sub-urban, Brand visibility, Value for money, Rural purchase, Product education.

I. INTRODUCTION

Consumer behaviour is the study of when, why, what and how people do buy or do not buy a product. It aims to understand the buyer decision making process both individually and also in groups. The consumer evaluates various alternatives before finalizing a particular product. Once the alternatives have been evaluated, then the consumer makes the purchase decision. Sometimes the purchase intention does not result in actual purchase. So, to be successful in the market place, understanding consumer behaviour is essential. These points hold good for both urban and rural consumers. But, rural markets need exclusive product and marketing strategies. One needs to understand the psyche of rural consumers well before aspiring to cater the rural consumers.

Rural markets have become the cynosure of every marketer as the sheer size of it, entices marketers in its direction. Some companies have re-engineered products, pricing and packaging to customize features and value relevant for these markets. Some FMCG companies have increased their hiring in rural India and small towns to establish a local connect and increase more visibility. The growth of FMCG in rural markets has outpaced the urban markets. As rural income increases and distribution network improves (in line with road development projects), the penetration levels are set to increase. At present, urban India accounts for 66% of total FMCG consumption, with rural India accounts for the remaining 34%. However, rural India accounts for more than 40% of the consumption in major FMCG categories such as personal care, fabric care and hot beverages.

Regardless of the presence of big MNCs, the unorganized sector has a substantial market share in the rural areas. Unorganized players offer a higher margin to stockiest to increase market share. To gain foothold in the rural markets, companies have to beef up their distribution channels to penetrate deep and also required to invest hefty sums in promoting brands. Companies may also think of integrating backwards to be more cost efficient. The benefit of such practice will enable companies to cut cost and pass on the benefit to the rural consumers. The growth in this sector is volume led and hence it is all the more appropriate to target the rural markets which has the volume as robust consumerism is also seen in rural markets. It is said that the size of India's rural market is bigger than the countries such as Australia, Canada and many more. A clear and distinct approach product, place, pricing and promotional strategy towards rural consumers and markets would ensure success of Corporate.

II. RURAL MARKET & RURAL MARKETING

Different experts and organizations have divergent views on what constitutes the term, 'rural'. Collins Cobuild Dictionary (2001) describes the word 'rural' as 'place far away from towns and cities'. A rural market broadly comprises of consumer markets, institutional markets and services (Dogra & Ghuman, 2008). According to Velayudhan (2002), rural marketing includes all those activities of assessing, stimulating and converting the rural purchasing power into an effective demand for specific products and with the aim of raising the standard of living. It is a two way marketing process of flow of goods and services from rural to urban areas and vice-versa (George & Mueller, 1955). Rural marketing is any marketing activity in which one dominant participant is from rural area (Kotler, et al., 2009).

	Rural Seller (RS)	Urban Seller (US)
Rural Buyer (RB)	I: RS-RB Intra-Rural (All products)	II: US-RB Consumer goods, services, agro inputs, farm implements & machinery
Urban Buyer (UB)	III: RS-UB Farm & Non-farm products	IV: US-UB Intra-Urban (All products)

Figure 1: Rural Buyer-Seller Matrix (Source: Vaswani et al, 2005)

Vaswani et al. (2005) gave the Rural buyer-Seller (Producer) Matrix that presents the scope of rural marketing (Figure 1.1). On Shelf-I are the goods which are made by rural people in rural areas and consumed by rural inhabitants. Examples include pottery, woolen, cotton and silk fabric weaved by handlooms, vegetables and fruits, etc. Shelf-II comprises of goods made and sold by urban people to rural areas like, automobiles, bicycles, farm equipment, fertilizers, etc. Shelf-III comprises of goods made in rural areas and consumed in urban areas like, vegetables, agro-based products, products of cottage industries, etc. Shelf-IV does not fall under the scope of rural marketing. Rural marketing mix would comprise of 4 A's viz., Acceptability, Affordability, Accessibility and Awareness (Figure 2)

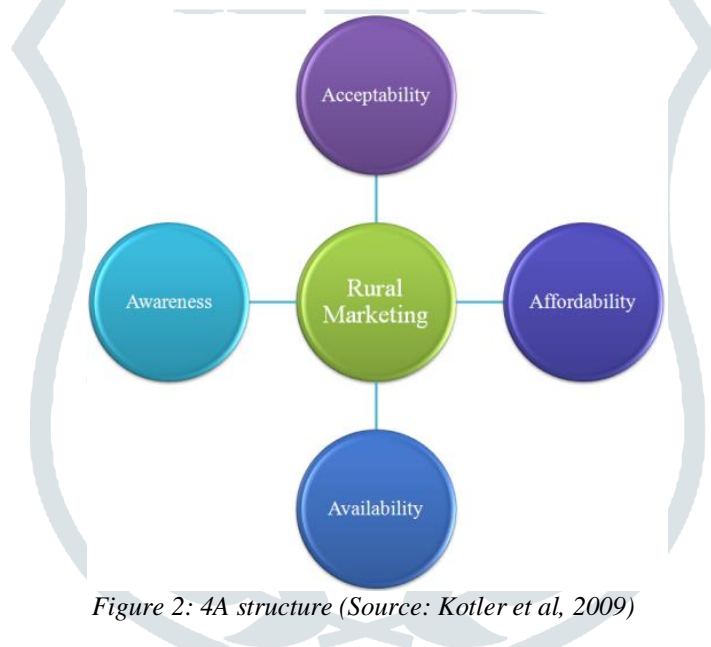


Figure 2: 4A structure (Source: Kotler et al, 2009)

III. EXAMPLE – I – DIFFERENCES IN OPINION OF SUB-URBAN & RURAL CONSUMERS

Anilkumar and Joseph (2014) conducted a study to know the behaviour of consumers towards FMCG products in Enakulam. The study focuses on the patten of buying behaviour and preferences of semi-urban and rural consumers. They have taken a sample of 50 semi-urban and 50 rural peoples for acquiring the primary data. A t-test is carried out among the two groups to see the difference with respect to preferences related to store attribute. They found that sub-urban and rural people differs in their preferences with respect to Easy to read signs/price stickers, Helpful cashier, baggers, other store personnel, Help in finding items in store, Placement of items on lower shelves for ease of reach, Personal items suited to my need, Packaging/sizes suited to my age/household needs, Quality of products, Attractive prices for products, Store reputation and location and Option to return items for replacements whereas they do not differ with respect to other aspects of store attributes like Consistent location of items for ease of finding items, Availability of advertised products, and Accepts coupons from Lucky draws. This shows that both semi-urban and rural masses wants store location consistent so that they can find it easily, and the products that was advertised should be available at the stores so that they can easily acquire the products. Apart, both the masses likes to receive coupons when they are purchasing so that they can also be a part of lucky draws.

Table 1: t-test for retail shop aspects influencing purchase behaviour of Consumers

Preferred store attributes	Mean	Std Dv.	t	Sig (p<0.05)
Consistent location of items for ease of finding items	12.6448	3.80692	-0.413	0.68
Availability of advertised products	12.5956	3.65279	-0.688	0.492
Easy to read signs/price stickers	13.276	3.60332	2.914	0.004*
Helpful cashier, baggers, other store personnel	13.1038	3.45383	2.087	0.038*
Help in finding items in store	12.276	3.50855	-2.46	0.014*
Placement of items on lower shelves for ease of reach	11.8852	3.94037	-4.087	0.000*
Personal items suited to my need	11.8689	3.59364	-4.569	0.000*
Packaging/sizes suited to my age/household needs	12.2268	3.67821	-2.602	0.01*
Quality of products	13.2404	3.31491	2.963	0.003*
Attractive prices for products	13.8169	3.37547	6.177	0.000*
Store reputation and location	13.1913	3.4872	2.547	0.011*
Accepts coupons from Lucky draws	12.6284	3.67348	-0.514	0.608
Option to return items for replacements	13.194	3.50547	2.548	0.01*

IV. EXAMPLE – II – FACTORS INFLUENCING BUYING BEHAVIOUR OF RURAL CONSUMERS

Ali, et al, (2012) conducted a study in 8 districts of South India to identify the key variables affecting the buying behaviour of the rural consumer. They have selected a sample of 1080 respondents belonging to rural areas and collected data through structured questionnaire initially designed in Telugu for easy understanding. The 24 variables of buying behaviour aspects were merged into 5 factors which were considered as the most influencing factors for the rural consumers.

Table 2: Factor explanation and loadings

Factor	Variables	Factor Loadings
Promotion Factor	Promotions	0.951
	Relationship Marketing	0.912
	Product Education	0.903
	Free offers/sales promotion	0.896
	Brand endorsement	0.871
	Shelf display	0.810
Lifestyle Factor	Brand awareness	0.847
	Packaging	0.847
	Dignity	0.816
	Brand visibility	0.799
	Lifestyle	0.750
Trust Factor	Friend's recommendation	0.883
	Brand loyalty	0.791
	Government promotions	0.790
	Shopkeepers recommendation	0.784
	Availability	0.746
Value Factor	Intended benefits	0.880
	Affordability	0.862
	Need based	0.827
	Low price	0.760
Product Factor	More features	0.780
	Size	0.726
	Quality	0.713
	Long lasting	0.624

- Factor 1: Emerged from 6 variables - **Promotion Factor**
- Factor 2: Emerged from 5 variables - **Lifestyle Factor**
- Factor 3: Emerged from 5 variables - **Trust Factor**
- Factor 4: Emerged from 4 variables - **Value Factor**
- Factor 5: Emerged from 4 variables - **Product Factor**

V. DISCUSSION, CONCLUSION & RECOMMENDATION

This paper is an attempt to review the buying behaviour of rural people. Concepts related to consumer behaviour are reviewed along with the researches already done in the field. The previous research shows that people belonging to sub-urban and rural areas think that shops should be at convenient locations for easy accessibility. Apart, advertised product should be kept available

at the shops and people like to take part in lucky draws through coupons. Another example taken reveals that rural consumers too, like urban consumers do get influenced by the promotions of the companies and purchase product/services to improve their lifestyle and standard of living. With the change in the economic condition in the country, rural consumers also preferring branded products for themselves. But still trust over a brand or product is big issue therefore these people relies on the recommendation of friends before purchasing. Awareness is also another major issue hence advices given by shopkeeper at the time of purchase influences the buying decision of the consumers. Like urban consumers, rural people also wanted value for their money and this makes them switch easily to the band providing more benefits either in terms of low prices or more benefits. People from rural areas today also prefers quality product which may be long lasting as they cannot visit the market very frequently for purchasing unlike urban consumers. As price influences rural purchase of FMCG, it is recommended to pursue the low-price strategy in rural marketing. Attaining low price not only requires low-cost manufacturing but also performing various marketing activities such as promotion and distribution in a cost effective manner. It is also recommended to promote goods on price plank. For rural customers, value for money results when the purchased FMCG meets the intended benefits. As the study revealed that the rural customers (along with price) also think about quality, performance, reliability, brand and other critical aspects, it is recommended to promote FMCG in lines of rationality rather than just making low price appeals. Rural marketers should design innovative promotional strategies for rural markets that can express messages in an easy way to the villagers and compatible with their education and understanding levels. It is recommended to offer FMCG that lasts long. Rural consumers associate long lasting feature with bigger size and/or hardness of the product. Hence, it is suggested to promote FMCG in these lines. Quality is important in the context of rural purchase and consumption of FMCG as rural customers prefer quality FMCG. Hence, it is recommended not to compromise on the quality of FMCG. Low prices have to be charged while maintaining the quality.

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