

A STUDY OF URBAN AND RURAL MARKET FOR FAST MOVING CONSUMER GOODS

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ABSTRACT :

The Indian FMCG sector with a market size of US\$14.8 billion is 4th largest in the world economy. The people of both rural and urban regions in India are consuming large volume of fast moving consumer goods these days due to affordable packaging, easy availability and information about products and their offers through various media. This has led to a gush in the setting up of a number of FMCG companies in India to meet the rising demand of the consumers. The rural market has grown over the years. The rural consumers are known to earn low income, have low level of literacy, low level of brand awareness than urban consumers. The study intends to compare the urban and rural market for FMCG and also the difference in buying behavior of urban and rural consumers.

IndexTerms : Consumer behavior, Urban , Rural , FMCG

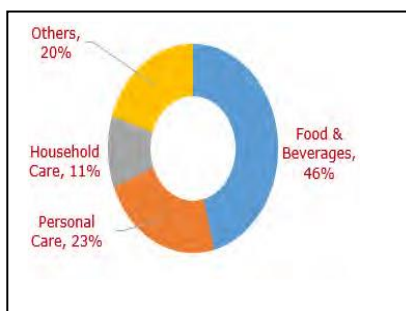
I .INTRODUCTION:

Fast-moving consumer goods (FMCG) sector is the at forth position in the Indian economy with Household and Personal Care accounting for fifty per cent of FMCG sales in India. Growing awareness due to media, easier access and changing lifestyles have been the key growth drivers for the sector. The urban segment (accounts for a revenue share of around 40 per cent) is the largest contributor to the overall revenue generated by the FMCG sector in India and noted a market size of around US\$ 29.4 billion in 2016-17. It mainly deals with production, packaging, marketing and distribution of consumer-packaged goods. This in-turn gives rise to handling of functions like supply chain and general management if these goods.

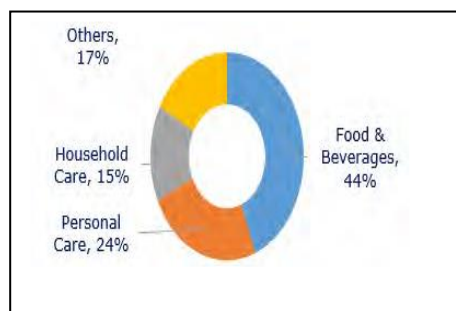
Things are changing fast nowadays. Before a decade rural consumers were using either home made or local brands. Because of increasing literacy level and media explosion, people are becoming conscious about their living standard, lifestyles and about their rights to live a better life. With increasing disposable income of rural households, has made the rural consumer more choosy and demanding in his purchase behavior than ever before. The economy is stirring, incomes are rising; and the habits, preferences and attitudes are changing with time and more exposure to technology. Due to large investments in rural infrastructure and various government initiative like Skill India, Start up India, Mudra loan, Jan dhan Yojana etc, the prospects are seen bright for rural India. Hence, in the last few years, the FMCG market has grown at a faster pace in rural India compared with urban India. Semi-urban and rural segments are growing at a rapid speed and FMCG products account for Fifty per cent of total rural spending.

II. GROWTH OF FMCG SECTOR

The overall FMCG market is expected to increase at a compound annual growth rate (CAGR) of 14 per cent. This implies FMCG is expected to grow at 1.8 X by 2020 (110-125 Bn USD), & 3.6 times by 2025 (220-240 Bn USD) while the rural FMCG market is anticipated to increase at a CAGR of 17.7 per cent to reach. The FMCG sector has grown at an annual average of about 11% over the last decade. Food products is the leading segment, accounting for 46 per cent of the overall market. Personal care (23 per cent) and Household care (11 per cent) come next in terms of market share. Growing product and brand awareness, easier access, and changing lifestyles have been the key growth drivers for the sector.



Indian FMCG share Segment wise 2015



Indian FMCG share Segment wise 2020

Graph No.1 Distribution of FMCG sector in 2015 & Expected distribution in 2020

Source: ASSOCHAM & Techsci Research **Fmcg Market 2020**

III. BASIC STRUCTURE OF FMCG MARKET

India's FMCG market is highly fragmented and a considerable part of the market contains unorganized players selling unbranded and unpackaged products. The industry is highly competitive due to presence of both multinational as well as local players. More than 50 per cent of the total revenues of FMCG companies come from products worth Rs 10 or less. This has created the proliferation of local brands and products being offered in loose form in villages or small towns and rural India where brand awareness is low. Online FMCG sale has started but it is majorly found in metros.

IV. STATEMENT OF PROBLEM

Fast Moving Goods sector touches every aspect of human life. The potential for FMCG not only lies in the urban India but in the rural India also. Thus the purpose of paper is to study urban and rural markets for FMCG and to study the difference between urban and rural consumers for FMCG.

V. OBJECTIVES OF THE STUDY:

- 1.To study the urban & rural market for FMCG.
- 2.To study marketing mix in urban & rural sector.
- 3.To analyze the consumption pattern of FMCG in rural & urban area.
- 4.To study growth drivers for FMCG

VI. HYPOTHESES:

Hypothesis is a tentative generalization, the validity of which has to be tested on the basis of empirical evidence and with previous knowledge. A hypothesis, at its initial stage may be an imagined idea or mere guess. Hypothesis literally means 'a theory which is not fully reasoned or tested.

- 1.The standard of living in rural areas is lower as compared to that in urban area
- 2.Rural consumers are not brand conscious.

VII.RESEARCH METHODOLOGY

The researcher has used both primary data and secondary data for the study.

Primary data:

The primary data has been directly collected by Questionnaire.

Secondary data:

The secondary data for this study has been collected from various publications, Journals, Magazines and Books.

➤ Sampling Universe:

For conducting this research, researcher had consider rural and urban area of Amravati district as sampling universe.

➤ **Sampling Unit:**

Sampling unit was users of FMCG products .

➤ **Sampling Technique**

Convenience sampling technique was used for sampling.

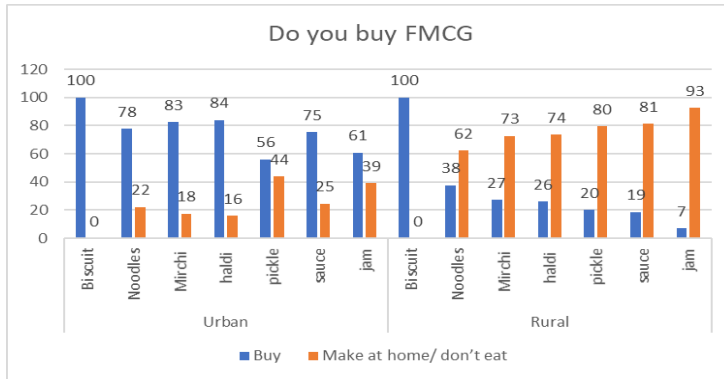
➤ **Sampling Size:**

50 Urban & 50 Rural consumers of FMCG,

VIII. DATA ANALYSSIS AND INTERPREATATION.

From questionnaire data was collected and analyzed with the help of table ,represented in various charts,graphs and intrepratations were made.

1. Product



From the chart it is interpreted that

Majority i.e more tan 50 % of urban consumers are buying biscuit, noodles ,mirchi, haldi, pickle,s sauce, jam , 100 % of rural consumers are buying biscuit while in other products more than 50 % either don't buy or make at home.

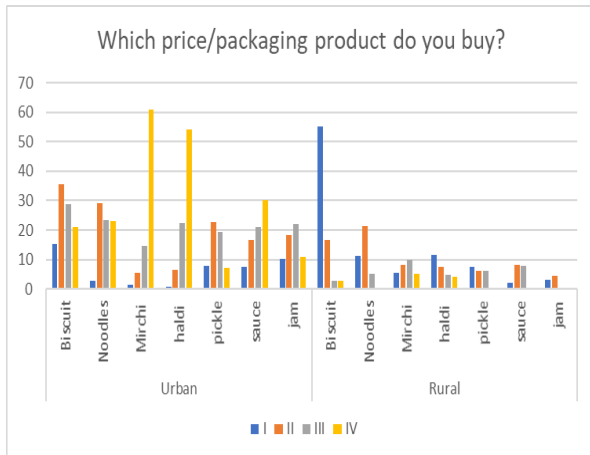
2.Place



From the chart it is interpreted that

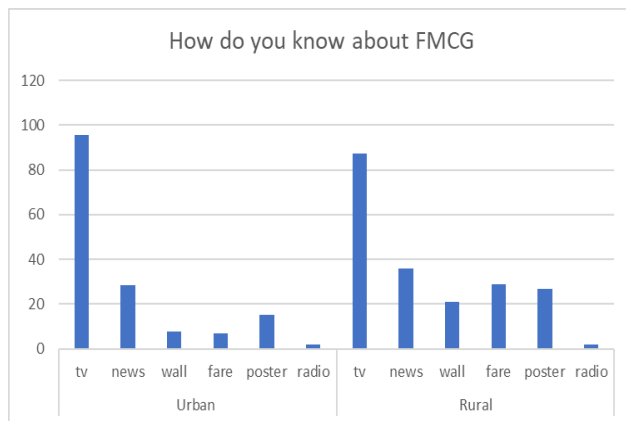
Some of Urban consumers are buying from only retail some from only mall and some from both. Majority(more than 90 %) of rural customers are buying biscuit from retail shop, only few (less than 5 %)are buying from both places while more than 50 % either don't buy or make at home except biscuit.

1. Price



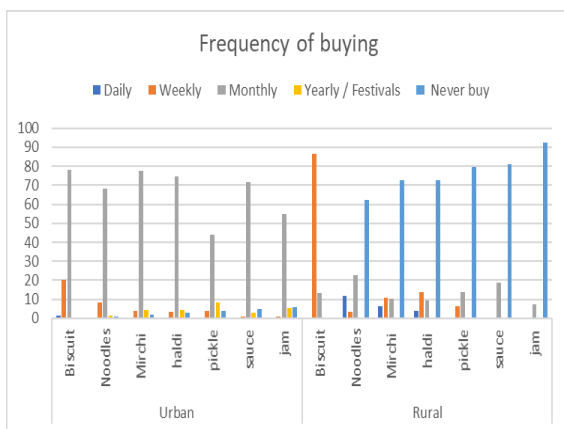
From the chart it is interpreted that Rural consumers are buying small packaging than Urban consumers

2. Promotion



From the chart it is interpreted that TV is the most popular promotional media in both the markets

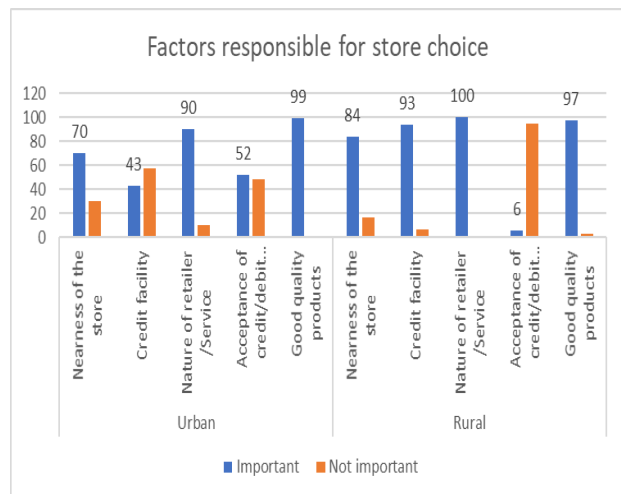
3. Consumption Pattern



From the chart it is interpreted that

Majority of Urban consumers are buying monthly. Majority of rural customers are buying weekly .Only few (up to 20 %) are buying monthly while more than 50 % either don't buy or make at home except biscuit.

6.Factors considered for making store choice



From the chart it is interpreted that Nearness of the store, Nature of retailer /Service, Acceptance of credit/debit cards/paytm, Good quality products are considered important by urban customers. While credit facility is the important factor for rural customer along with nature of retailer /Service, Good quality products are considered important by urban customers. Acceptance of credit/debit cards/paytm is the least important for rural consumer.

IX FINDINGS OF THE STUDY

	Urban	Rural
Product	1.people buy all FMCG products 2.Saturated market 3.All Brands are Available	1. don't buy ready made products like haldi ,mirchi,pickle which can be made at home 2. don't prefer luxury /fast food like noodles,,sauce Jam. 3. Only few or local brands are available
Price /packaging	10 rs, 20,40, 200 gm,500 gm	5 rs ,10 Rs sachet,100 gm
Place	Both Retail as well as mall	Retail and weekly bazar
Promotion	TV ,Newspaper ,Poster	TV ,Newspaper ,Fare /bazar
Consumption	Monthly	Weekly
Nearness of store	Important	Important
Nature of retailer	Important	Important
Credit facility	Not Important	Important
Reasonable Price	Important	Important
Acceptance of credit cards/paytm	Important	Not Important
Good quality products	Important	Important

X . CONCLUSION

India is one of the fastest growing FMCG market in the world. The potential not only is in the urban India but in the rural India also. The rural market of India is very fascinating and challenging at the same time. The urban market is almost at saturation hence highly competitive; the rural market is relatively quiet but attractive. It offers large opportunity on account of its sheer size and it is growing steadily

Majority of People in rural area don't accept ready made traditional food items which can be easily made at home like pickle, chilli, haldi powder. In fact, for certain products like noodles, sauce, jam it is a totally new in market.

The income in cities is regular, while the income in villages is seasonal and dependant on monsoon.

Since majority of them get weekly pament/wages ,they buy the items weekly .They are price conscious, hence buy affordable and easily available products evenif they are branded or not. There is a huge gap in education levels in the two counterparts.

Urban connectivity in terms of roads, railways and logistical means is generally far better than in their rural brotherhood. Due to less volume and less infrastructure, major brands are not entering into rural market. Hence local brands are sold in rural market.

XI SUGGESTIONS

Marketers need to review the marketing environment for both urban and rural markets, develop proper understanding of the nature and profile of consumers, design the right and affordable products , and use suitable media as well as for communication and use proper supply chain management for easy and timely distribution.

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