



# ASPECTS INFLUENCING PURCHASE OF FAST MOVING CONSUMER GOODS BY RURAL CONSUMERS IN TAMILNADU

<sup>1</sup>Dr. N.A.ANBARASAN, M.Com, M.Phil, Ph.D , <sup>2</sup>J.SENTHIL KUMAR, M.Com (CA), M.Phil.

Associate Professor and Research Head, Department of Commerce,  
Government Arts College, Dharmapuri, India<sup>1</sup>.  
Research Scholar, PG & Research Dept. of Commerce,  
Government Arts College, Dharmapuri, India<sup>2</sup>

**ABSTRACT**—The Fast Moving Consumer Goods (FMCG) sector is a corner stone of the Indian economy. This sector touches every aspect of human life. The FMCG producers now realize that there is a lot of opportunity for them to enter into the rural market. The sector is excited about the rural population whose incomes are rising and the lifestyles are changing. There are as many middle income households in the rural areas as there are in the urban. Thus the rural marketing has been growing steadily over the years and is now bigger than the urban market for FMCGs. Globally, the FMCG sector has been successful in selling products to the lower and middle income groups and the same is true in India. Over 70% of sales are made to middle class households today and over 50% of the middle class is in rural India. In this process, they need to understand crucial issues relating to rural consumer behaviour and more specifically relating to different geographic regions of the country. This paper focuses on understanding factors that affect the rural purchase of FMCG in Tamilnadu India. Study was conducted in 4 districts of Tamilnadu to identify the key influencing variables. Factor analysis was used to form 24 key variables into five groups (influencing Aspects). Influence of retailers' recommendations has emerged as the most significant variable in the trust Aspects. According to the study, rural consumers in Tamilnadu consider that usage of FMCG contributes to their lifestyle.

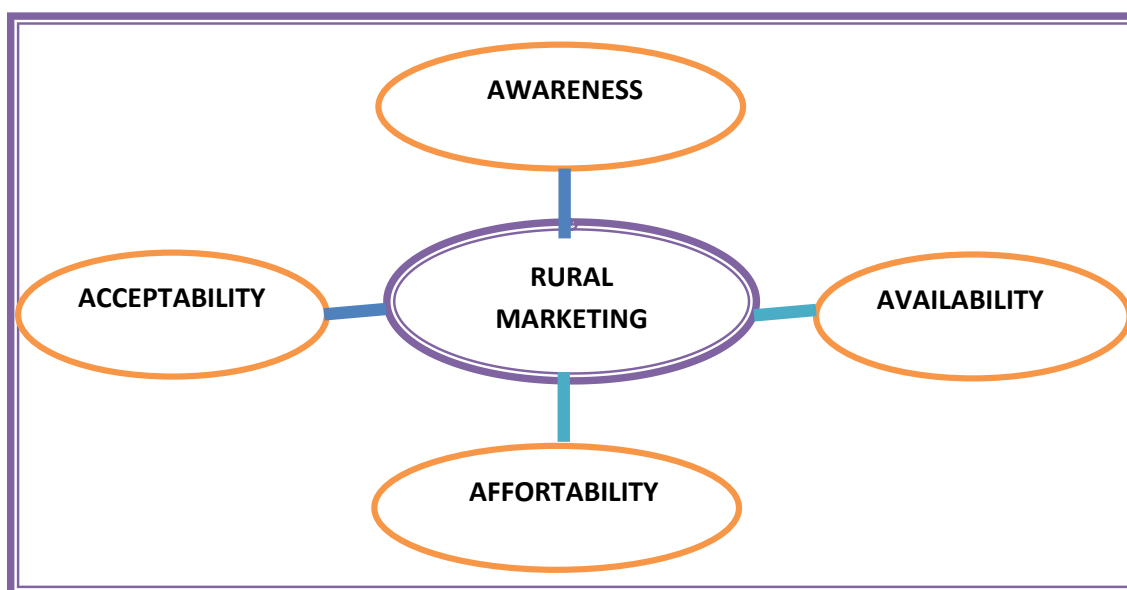
**Keywords:** Trust Aspect, Price points, Brand visibility, Value for money, rural purchase, Product education

## 1. INTRODUCTION

The Indian Fast Moving Consumer Goods (FMCG) industry began to shape during the last fifty odd years. The FMCG sector is a cornerstone of the Indian economy. This sector touches every aspect of human life. Indian FMCG market has been divided for a long time between the organized sector and the unorganized sector. Unlike the US market for FMCG which is dominated by a handful of global players, India's Rs. 460 billion FMCG market remains highly fragmented with roughly half the market going to unbranded, unpackaged home made products. This presents a tremendous opportunity for makers of branded products who can convert consumers to buy branded products. Globally, the FMCG sector has been successful in selling products to the lower and middle income groups, and the same is true in India. Over



70% of sales are made to middle class households today and over 50% is in rural India. The sector is excited about a burgeoning rural population whose incomes are rising and which is willing to spend on goods designed to improve lifestyle. Also with a near saturation and cut throat competition in urban India, many producers of FMCGs are driven to chalk out bold new strategies for targeting the rural consumer in a big way. MART, the specialist rural marketing and rural development consultancy, has found that 53 per cent of FMCG sales and 59 per cent of consumer durable sales lie in the rural areas.



**Figure 1.1:** Rural Marketing – 4 A's Structure - Source: Kotler et al. (2009). Marketing Management A South Asian Perspective, 13e, Pearson Education, New Delhi, pg. 12

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 1.1).

There are many reasons that have urged the FMCG companies to enter the uncharted territory



of rural Tamilnadu. Some of the attractions are discussed below:

## **2.2. Large Population**

The rural Tamilnadu population is large and its growth rate is also high. Over 70% India's one billion plus population lives in around 12,660 villages in rural areas. This simply shows the great potentiality rural India has to bring the much needed volumes and help the FMCG companies to bank upon the volume driven growth.

## **2.1. Rising Rural Prosperity**

India is now seeing a dramatic shift towards prosperity in rural households. To drive home the potential of rural India just consider some of these impressive facts about the rural sector. As per the National Council for Applied Economic Research (NCAER) study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas. There are almost twice as many 'lower middle income' households in rural areas as in the urban areas.

## **3. RURAL VS URBAN CONSUMERS - CHALLENGES**

The biggest mistake a FMCG company can make while entering the rural India is to treat it as an extension to the existing urban market. But there is a vast difference in the lifestyles of the rural and urban consumers. The rural Indian consumer is economically, socially, and psycho graphically different from his urban counterpart. The kind of choices that an urban customer takes for granted is different from the choices available to the rural counterparts. The difference in consumer behavior in essence stems from the way of thinking with the fairly simple thought process of the rural consumer in contrast to a much more complex urban counterpart. On top of this there has hardly been any research into the consumer behavior of the rural areas, whereas there is considerable amount of data on the urban consumers regarding things like - who is the influencer, who is the buyer, how do they go and buy, how much money do they spend on their purchases, etc. On the rural front the efforts have started only recently and will take time to come out with substantial results. So the primary challenge is to understand the buyer and his behavior. Even greater challenge lies in terms of the vast differences in the rural areas which severely limits the marketer's ability to segment, target and position his offerings. The population is dispersed to such an extent that 90% of the rural population is concentrated in villages with population of less than 2000. So the geographical spread is not as homogeneous as it is with the urban areas owing to vast differences culture and education levels. Also with agriculture being the main business of rural sector the purchasing power of rural consumer is highly unpredictable which can lead to high variations in demand patterns. One more gray area that needs to be probed into is the importance of retailer in rural trade. Rural consumer's brand choices are greatly restricted and this is where the retailer comes into the picture. The rural customer generally goes to the same retailer to buy goods.



#### 4. OBJECTIVES OF THE STUDY

Main objective of the current study is to identify the Aspects influencing the purchase of FMCG by rural consumers in Tamilnadu.

#### 5. METHODOLOGY

Primary data is collected through administering a well-structured questionnaire consisting of 5-point scale. For the convenience of the respondents, the questionnaire is translated in to the regional language, Tamil. The survey is limited to a region called Dharmapuri, Salem, Namakkal, Coimbatore in Tamilnadu state. The **sample size** of **500** is calculated by using stratify random sampling.

1	Shop Keeper's recommendation	7	Need based	13	Packaging	19	Brand loyalty
2	Friend's recommendation	8	Brand awareness	14	Product education & demonstration	20	Size
3	Low price	9	Relationship marketing	15	Brand endorsements	21	Shelf display
4	Affordability	10	Promotions	16	Quality	22	Intended benefits
5	Long lasting	11	Dignity	17	Government promotions	23	Free offers/ sales promotions
6	More features offering more benefits	12	Availability	18	Lifestyle	24	Brand visibility

**Chart 1:** Variables influencing the rural purchase of FMCG

**5.1. Sample unit** for the current research consisted of rural population living in villages who are both buyers and consumers of FMCG.

**5.2Data analysis tools and techniques:** Aspect Analysis was conducted on stratify random sampling method, to identify the Aspect that influences the FMCG purchase decision of rural consumers (Luck & Rubin, 2007). Secondary data is collected from various valid sources such



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## **6. Data Analysis and Interpretation**

Objective of this research was to identify the underlying Aspects influencing the purchase decisions of rural consumers with reference to purchase of FMCG. Twenty four variables influencing the rural purchase of FMCG were identified after a detailed literature review. Chart1 presents all the variables:



**Table 1**

Titles of factors with influencing variables & respective Aspect loadings

Aspects	Variables	Respondents	(%)
PROMOTION ASPECT	• Promotions	82	16.4
	• Relationship marketing	95	19.0
	• Product education	89	17.8
	• Free offers/sales promotions	80	16.0
	• Brand endorsement	91	18.2
	• Shelf display	63	12.6
LIFESTYLE ASPECT	• Brand awareness	100	20.0
	• Packaging	90	18.0
	• Dignity	98	19.6
	• Brand visibility	100	20.0
	• Lifestyle	112	22.4
TRUST ASPECT	• Friend's recommendation	113	22.6
	• Brand loyalty	105	21.0
	• Government promotions	85	17.0
	• Shop keeper's recommendation	100	20.0
	• Availability	97	19.4
VALUE ASPECT	• Intended benefits	109	21.8
	• Affordability	114	22.8
	• Need based	118	23.6
	• Low price	159	31.8
PRODUCT ASPECT	• More features	125	25.0
	• Size	115	23.0
	• Quality	149	29.8
	• Long lasting	111	22.2

### Analysis and Interpretation of the Aspects and Variables

#### Aspect 1: Promotion Aspect



*Promotions and advertisements* emerged as key influencing variables in the Promotion Aspects (16%). Hence, it is suggested that highest preference has to be given to promotional activities (Shapiro et al., 1987). *relationship marketing* by companies does influence the purchase decisions by the rural consumers (19%). Companies take up relationship activities as a part of their PR (Public Relations) programs (Arens, 2006). It can be interpreted that the relationship activities serve as promotional strategies in rural marketing. Rural marketers' attempts to *educate* customers regarding various aspects of the product/brand do influence the rural purchase decisions (Krishnamurthy, Jagadeesh, 2009). The same is empirically proven in the current research. With a loading of 17.8%, this variable forms a part of Promotion Factor.

*Sales promotions* can play an important role (Dhunna, Mukesh, 1984) as the rural customers can get attracted by various sales promotion techniques like, free offers (Anand & Hundal, 2008). Current research proves that this variable significantly contributes to the Promotion Aspect with 16%. *Brand endorsements* also emerged as an important variable in Promotion Factor with a loading of 18.2%. Rural marketers can use celebrity endorsements as a part of their product promotions. *Shelf display* contributes to promotion of FMCG. With a factor loading of 12.6%, it emerged as one of the key variables contributing to the Promotion Factor. Visibility in the retail outlet is a very important aspect (Young & Robinson, 1992). Customers take decisions basing on the visibility of a FMCG on the retail shelves (Rakesh et al., 2008).

### **Aspect 2 : Lifestyle Aspect**

Current research proved that the rural customers link purchase and consumption of FMCG to the improvements in their lifestyles. *Brand awareness* is the 'key' (20%) as, creating awareness is more important in rural marketing (Ramana Rao, 1997). Packaging influences rural purchasing decisions (Sehrawet & Kundu, 2007). Since, in the current research, *packaging* has emerged as one of the important variables influencing rural lifestyle (with 18% Aspect loading), it can be interpreted that the rural consumers attach their lifestyle or standard of living to the better/attractively packed goods. Further in the survey, it is proved that the rural consumers prefer to buy FMCG that make them feel *dignified* while buying/possessing/ using them. And that feeling adds to their lifestyle (19.6%). *Brand visibility* is also included in Lifestyle Factor (with a loading of 20%). It can be interpreted that, if the marketers can create brand visibility for their FMCG, it contributes to creating awareness and further to the lifestyle of the rural consumers. Thus the current research empirically proves that rural consumers opine that consumption of FMCG enhances or adds to their lifestyle.

### **Aspect 3: Trust Aspect**

With a factor loading of 22.6%, *friend's recommendation* emerged as a key variable in the Trust Factor. Thus, it is proven that rural customers respect and follow the recommendations of their friends and relatives to try or buy an FMCG. *Brand loyalty* is noticed in rural markets as it is proven that the rural customers prefer to buy brands of FMCG that they have been using (21%). *Government* is one of the trusted sources for rural people. Rural customers trust and buy brands/products that are promoted by Government. Companies that incorporate their products/brands in various government policies will be able to influence the rural purchasing



decisions. As the relationships between shop keepers and their customers are strong in rural areas (Khatri, 2002), rural people believe shop keepers. The current research categorizes *shop keeper's recommendation* as one of the influential variables in rural buying (20%). In rural marketing, *availability* is the key to success (Ramanathan, 2007). Availability formed a part of Trust Factor. It can be interpreted that, if a sought-after FMCG is not available, the rural consumers may lose trust in it.

#### **Aspect 4 : Value Aspect**

It is found that the rural consumers seek value in their purchase of FMCG. According to them, the FMCG that are *affordable* (22.8%), *low priced* (31.8%) and fulfil their *intended benefits* (21.8%) are 'value products'. It is also proved that the rural consumers buy FMCG only when *needed* (23.6%).

#### **Aspect 5 : Product Aspect**

The product factor influencing the rural purchase is loaded with four important variables, *more features* (25%), *size* of the FMCG (23%), better *quality* (29.8%) and *long lasting* FMCG (22.2%). Thus it can be interpreted that the rural customers seek multiple features in a product and at the same time look for bigger sized FMCG. It is once again proven that rural people seek quality (Prahalad, 2005).

### **7. CONCLUSIONS AND RECOMMENDATIONS**

In the end it is certain that FMCG companies will have to really gain inroads in the rural markets in order to achieve double digit growth targets in future. There is huge potential and definitely there is lot of money in rural India but the smart thing would be to weigh in the roadblocks as carefully as possible. The companies entering rural market must do so for strategic reasons and not for tactical gains as rural consumer is still a closed book and it is only through unwavering commitment that the companies can make a dent in the market. Ultimately the winner would be the one with the required resources like time and money and also with the much needed innovative ideas to tap the rural markets.

Rural customers trust retailers in their villages. During the field visits, it is observed out that though the retailers are aware of the fact that their customers listen to them, they are not aware of this wonderful principle called, the 'Trust Factor'. The companies must educate rural retailers about such modern marketing principles for a better performance. 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. It is recommended not to compromise on the quality of FMCG. Low prices have to be charged while maintaining the quality.

Preference for attractive packaging is noticed in rural marketing. Packaging creates a favourable impression in rural customers' minds which impacts their buying behaviour. Rural people would remember an FMCG by its packaging. It is recommended to allot great deal of attention towards designing attractive packaging while keeping the costs low. Also the rural marketers can promote their FMCG on the basis of attractive packaging.

It is recommended that rural marketers should devise their strategies in alignment with Government's rural development programs and form their marketing communications a part of information related to that specific policy. This is because, the rural people believe in messages that come from Government. It is also recommended to organize product demonstrations as a proof of product functioning and also to educate rural customers. As celebrity endorsements work in rural marketing, it is recommended to use low-cost advertisement strategies like making use of animated celebrity characters. Other suggestions include, maintaining quality, devise and implement sales promotion campaigns, apply retail strategies like shelf display, apply CRM techniques like consumption points, etc.

## **8. SCOPE FOR FUTURE RESEARCH**

Future is bright for rural research particularly in FMCG category. Research can be done to suggest how marketing of FMCG in rural areas in India can also be performed through encouraging rural entrepreneurship. The existing business models like Project Shakthi by HUL can be studied and further improvised models can be built and tested with reference to marketing of FMCG in rural areas. Also in future research can be oriented towards each sub-category of FMCG like, hair care, child-care, house cleansers, premium product categories like, colour cosmetics and body deodorants, etc.

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