

Synopsis - Ph.D. Thesis

Trends in the Marketing of Fast Moving Consumer Goods (FMCGS) in Karnataka State

S. Sathyanarayana

Introduction

Indian rural market with its colossal size and demand base offers great opportunities to marketers. Two-thirds of India's consumers live in rural areas wherein almost one third of the national income is generated. It is seen as a profusion of opportunities, whether for marketing durables, textiles and garments, personal care products or financial services.

A rural marketer is faced with an entirely different set of conditions and problems while marketing in rural area as with an urban area. For most marketers planning to enter the rural markets, distribution poses a serious challenge. For the successful exploration of rural markets, a basic requirement is infrastructure. The absence of such an infrastructure is aggravating the distribution challenges in rural India. There are many other challenges that FMCG companies face in tackling rural markets, viz., geographically scattered nature of rural markets, their small size, remoteness, poor connectivity and tremendous heterogeneity. Low level of literacy, too many languages and dialects, cultural diversities, inadequate banking facilities, spurious products, low per capita disposable incomes, acute dependence on the monsoon; seasonal demand, and

media darkness are some serious limitations.

Therefore, the real problem for the marketers to penetrate into rural markets is in understanding heterogeneous rural consumers, reaching products to these remote locations, and communicating with media-dark rural audience. Even greater challenge lies in terms of the vast differences in the rural areas which severely limit the marketer's ability to segment, target and position his offerings.

FMCG Sector

FMCG sector is the fourth largest sector in the economy with a total market size in excess of Rs 60,000 crore (Equitymaster 2003), (PWC for IBEF 2007). This industry essentially comprises consumer non-durable products (Dogra and Ghuman 2008) and caters to the everyday need of the population. Products belonging to the FMCG segment generally have the following characteristics:

They are used at least once a month (Jha 2000); they are used directly by the end-consumer (Majumdar, 1998); they are non-durable; they are sold in packaged (Hattangadi S.) and branded form (Kotler P & Amstrong G. 1999). The main segments of FMCG sector are (Karvey research) **(a) Personal Care, (b) Household**

This is an edited version of the synopsis. The detailed thesis was prepared under the guidance of Dr.B.H.Suresh, Chairman & Professor in Commerce, Department of Studies in Commerce, University of Mysore, Manasagangotri, Mysore – 570006.

Care, (c) Branded Packaged Foods & Beverages, (d) Spirits & Tobacco, (e) Others (such as OTC drugs, Greeting cards & Drycell Batteries.

The FMCG sector has been the cornerstone of the Indian economy. The FMCG industry is a low margin business. Volume holds the key to success in this industry. For this reason, only the industry players put so much emphasis on marketing and distribution. Brands are key determinants of success in the market place. Main threat for this sector is from unorganized players, whose main strategy is "low price, high volumes" and they have benefited without spending even a single paise on advertising and brand building. With domestic consumption close to Rs. 80,000 crore (Jha 2003), the key characteristics of the Indian FMCG sector are heavy launch costs, less capital intensive, Contract manufacturing and marketing drive. Now companies are adopting a new drive called "Quantity versus Quality equation" and "distribution synergies" to try and leverage for the best possible distribution at the least possible cost. This could be a crucial factor in deciding the fate of the players. The key factors that are expected to trigger future growth for the FMCG industry include reduction in excise duties, relaxation of licensing restrictions and reduced dominance of unorganized sectors. The growing reach of advertising Media like satellite and cable TV is too expected to give a boost to the market penetration initiatives of the industry players.

FMCGs and Rural Markets

Domestic market is witnessing a structural shift in terms of demand with rural markets beginning to show increased demand for FMCG products. This is happening at a time when the urban market is showing signs of saturation. However, the low level of penetration in the rural areas is a cause of concern. For a number of consumer expendables, the penetration levels are extremely low, but are expected to increase with the passage of time and rise in income levels. For instance, for toilet soap, the average expenditure per user household for low-income households is Rs. 237, while it has increased to Rs. 706 for high-income groups. Rural market at a staggering Rs.122 million, five times the urban market, is hard to be ignored by anyone.

Rural markets are vital for growth of most of the companies, for example, HLL, the largest FMCG company, more than half of its annual turnover of Rs 9,954 Crores comes from the rural market added to this the FMCG companies have to market their products under the constraints of the small size; remoteness; poor connectivity; minimum or no infrastructure facilities and the like, as a result, the FMCG companies face the challenges of understanding rural consumers; reaching products or services to remote rural locations; communicating with vastly heterogeneous rural audiences; variations in regional behaviour; physical distribution and channel management and understanding the psyche of rural consumers.

Statement of the Problem

In the recent past, global and Indian marketers are concentrating their efforts heavily to cater to the rural consumers, who have not yet tapped with organized marketing and superior products. All the while, rural consumers were a neglected sect by the producers and manufacturers of goods and services. As the growth potential in urban markets is reducing, to sustain and survive, the default imperative for all companies is to look, reach and serve the rural markets, for volume-based growth. Thus proper appraisal of the constituents of rural markets, the buying behaviour of rural consumers, the objectives behind the purchase of FMCG by the rural consumers, the operational issues involved in reaching rural markets, demand forecasting methods used for rural markets, the outlets where the rural markets usually purchase, help understand the needs, desires and value of potential the rural consumers to the marketers and manufacturers who help them offer rural specific products and services which provide desired level of satisfaction to rural consumers, is essential. The present study is undertaken to make an assessment of rural consumers & the trends set in marketing of the select FMCGs.

Need for the Study

The review of literature on rural marketing, thus throws light on facts relating to the gap in the study of this subject: (i) the study of rural marketing focuses the conceptual issues; and (ii) the companies have

taken up research in rural marketing independently to suit their needs; (iii) however, very little is known or experimented from rural marketing point of view to find out the informal sources such as neighbours, friends and family, innovators and influentials. This study focuses on identifying such opinion leaders and assists the marketers to find out ways of going about and making use of the informal sources by collecting information on interpersonal communication networking where marketers can employ effective communication strategies for diffusion of innovation through the opinion leaders; (iv) very few research studies have focused on the nature of shopping behavior exhibited in the Indian rural environment. A few researches have been noticed recently in Indian journals and most of those studies have looked at the marketing decisions taken by the companies using various points like feeder towns and sources of supply. In such a scenario, there is a need for studying the rural shoppers' behaviour. It is imperative for Indian businesses to understand changing shopping behavior amongst the rural consumers especially with regard to their preferred points of purchase. With better disposable incomes and improving infrastructure, consumers have a wide choice of stores to shop at. It is, therefore, necessary for rural marketers to understand rural shoppers' motivations and attract rural customers residing beyond the, hitherto considered, catchment areas around the store. The researcher attempts to link the distinct store features as perceived by rural respondents with the true motivations of various consumers in patronising various stores; (v) the literature on Supply Chain Management (SCM) has many references with regard to these issues but falls short in providing enough empirical evidence of this relationship in the context of rural marketing. Amit (2005) observes in his research that, most of the available literatures on SCM are based on the direct observation methods like case studies or descriptive statistics alone and his view is supported by Kadambi (2000) & Sahay et al. (2003). Further, it is also very important to identify the relative influence of the issues on SCM practices in rural context. The gaps identified in the above literature survey are (a) innovative application of secondary data; (b) research on rural distribution management especially in context to the state of Karnataka state is not at all available;

(vi) Various researchers have found that different types of promotions evoke differential response. However, studies have not attempted to systematically identify the entire range of promotions launched in the market place especially in the rural context. In India fast moving consumer goods (FMCG) category has witnessed an outburst of sales promotional activities in the post-liberalization era. Very little literature has focused on sales promotion perceptions. All the above discussed researches have focused on price promotions and their response in urban context. This study considers perceptions for price as well as non-price promotions in FMCG categories in rural areas. The present study provides an empirical view of the variety of promotions (both consumers and dealers) launched by the FMCG marketers in the rural Indian market in recent years. This study is an attempt to address the gap in literature by providing empirical support through exploration; (iii) no comprehensive study on various dimensions of rural marketing with a focus on a region has been taken, hence the present study has been taken up with a focus on Karnataka State to bridge the gap in rural marketing research mainly in the areas of (a) rural buyer behaviour; (b) brand recognition and brand loyalty and motive behind brand switching habits, national and regional brand preferences; (c) role of packaging; and (d) role of retailers in rural marketing.

Objectives of the Study

The following are the objectives of the study:

1. To enumerate the characteristics of the villages in Karnataka;
2. To understand the rural consumers on the broad contours of demographics;
3. To understand the rural consumers' buying behavior with respect to FMCGs;
4. To study the retailing practices in rural Karnataka &
5. To study the motive behind stocking regional brands.

Hypotheses of the Study

The following are the major hypothesis of the study:

- H1: There is a significant influence of education on the basic amenities that the rural respondent possesses at their living home.

- H2: There is a significant influence of distance to the nearest town of the rural consumer respondents on the amenities that the rural respondent possesses at their living home.
- H3: There is a significant influence of the sex of the respondents on the preferred timings for viewing television.
- H4: There is a significant difference in the perception of rural consumers on the usefulness of advertisements in helping make informed decisions.
- H5: There is a significant influence of gender of the rural consumer respondents on the factors considered while purchasing FMCG.
- H6: There is a significant difference in alternative actions taken by rural consumer respondents when a sought after brand is not available.
- H7: There is a significant difference in the importance of packing while purchasing FMCG as perceived by rural consumer respondents.
- H8: There is a significant influence of the education on the package reading habits of the rural consumer respondents.
- H9: There is a significant influence of the occupation of the respondents on price sensitiveness of purchases of FMCG.

THE METHOD

Nature of Study

The study is exploratory in nature as it endeavors to uncover the latent behavioural aspects of rural consumers and retailers in the state of Karnataka. As the study involved covering the respondents from several rural regions of north, south, east and west Karnataka, the study has been executed in phases.

Universe of Study and Population

The universe of the study is rural retailers and consumers in the rural villages of Karnataka situated in India. The universe of the study is classified as North Karnataka, South Karnataka, East Karnataka and West Karnataka. The scope of the study is limited to retailing and retail

industry and concentrates primarily on the aspects of marketing and rural consumer buying behaviour. The study is based on the empirical survey of 200 villages situated in the state of Karnataka.

The universe of the study helped the researcher create the sample. The study covered selected villages of various districts of Karnataka state. For this purpose Karnataka state has been divided into four zones viz. South, West, East and South. South and West Karnataka represent the upcoming face of villages with developments in respect to infrastructure, literacy, and shift from traditional occupation (farming) to dairy farming horticulture etc. On the other hand, rural areas in North and East side are still struggling for basic facilities. Composite indices of various districts, taluqas and villages were computed to classify them into homogeneous groups with Census data of 2001 as the base.

Primary Data Source

First hand information was obtained from the respondents through structured questionnaire. An interview schedule was constructed to elicit information from the respondents. The researcher chose an interview schedule since the respondent has to be coaxed to answer the questions put forth in the questionnaire. Moreover the researcher had a stringent requirement for the data to be pure and in all senses comprehend the very spirit of the questionnaire and thus the research. The researcher could also clarify any doubts to the respondent and explain the objective of each question whenever the respondent raised doubts.

Researcher has to construct two sets of questionnaire; one for eliciting information from the rural retail respondents and the second questionnaire was distributed across all strata of consumer respondents, the strata decided by the distance to the nearest town and every seventh household in the selected strata. The questionnaire contained different sections and each section concentrated on particular aspect of the retailing and buying and consumer behavior. The questions were both open ended and close ended. In close ended, questions consisted of dichotomous, multiple choice and rating scales, to elicit the respondents' association with the question posed.

Pilot Study

Before scaling for full research, the researcher initiated a pilot study with 30 rural retail respondents and 100 rural consumers. These collected questionnaires were analysed to determine whether the data collected helps the researcher to fulfill the objectives of the study, apart from testing the validity of the questions put across to the respondents – both rural retail respondents and rural consumers.

In this section, the researcher discusses the results of the survey in reference to the validity of the questionnaire and profiles of the respondent and retailer along with that simultaneously the researcher discuss the testing of the proposed hypotheses. The validity of the questionnaire was adjudged using Cronbach's coefficient (α) was calculated to test the reliability and internal consistency of the responses. Cronbach's coefficient, having a value of more than 0.5 is considered adequate for such exploratory work. The values of α in this study for the three reported questions were found to be 0.736, 0.805 and 0.765, giving an average value of 0.768. It implies that there is a high degree of internal consistency in the responses to the questionnaire.

Secondary Data Source

The sources for secondary information was from published reports, census data (2001), NCAER research reports, CII reports, study conducted by IRMA (Anand) and various renowned national and international journals.

Sampling Plan

The sampling plan adopted for the survey was stratified two-stage. The census villages were the first stage units (FSUs), while households were the second stage-sampling units (SSUs). The selection of villages was done with probability proportional to population (with replacement), based mainly on the 2001 census list of villages. For first stage units, the sampling frame of the strata was the 2001 census list of villages. The sample blocks were selected by simple random sampling without replacement, also in the form of two independent sub-samples. The list of villages were

listed in spreadsheet (MS Excel) and random numbers generated. The condition by which a sample (village) is included is based on the condition whether the random number generates a value greater than 0.5. If the random number generated is less than 0.5 for an assigned village, the village is excluded from the sample.

Selection of Households at Second Stage

In order to understand retailer's role, the researcher covered three hundred and twenty retail shops across two hundred villages to study the rudiments of rural – retail channel. On the basis of observation and capital employed shops are divided into – less than Rs. 1,00,000, Rs.100,001 to Rs. 2,00,000, Rs. 2,00,001 to Rs. 3,00,000 to Rs.4,00,000, Rs.4,00,001 to Rs.5,00,000 and above Rs.5,00,000. In covering each village, an attempt was made to contact two to five retailers depending upon the number and type of shops existing in the village. The required information is collected during 2007-08 through personal interviews with the help of a structured questionnaire for retailers.

Sample Size

The researcher has arrived at a sample size of 1600 for rural consumer respondents and 320 for rural retail respondents from among four zones of Karnataka state comprising approximately 200 accessible villages.

Analytical Method

The data collected is initially organized in a meaningful manner with the help of software. Once organized, the researcher tabulated the frequencies, which provided the requisite profile of the data collected and help the researcher build the contingency tables for further detailed analysis. On performing detailed analysis, patterns from the data is further put for validation through testing of hypotheses, wherever the researcher deemed important and based on the conditions set for such a test.

Summary of Findings

Demographic Factors (Consumers)

Majority of the rural consumer respondents i.e., 66.5% belong to the age group of 34 years to 49 years, 22.5%

belong to the age group of 18 years to 33 years and 11% belong to the age group of 50 years to 65 years. As much as 68% of the rural consumer respondents included in the survey was male and the rest 32% were female. 12.5% of the rural consumer respondents do not possess any formal school education, 31% possess some primary education, 22.5% received school education, 4.5% received vocational education, 16% indicated that they have not completed graduation, 13% received an undergraduate degree. 48.5% of the rural consumer respondents included in the survey are farmers, 11.5% agricultural labour, 3.5% partly agricultural and partly non-agricultural, 8% shop keepers, 13% home makers, 4% cattle rearers by occupation, 8% from service industry, 1% retired and 2.5% from other miscellaneous professions. 51.5% of the rural consumer respondents lived with an annual income class of less than Rs.60000, 35% between Rs.60001 to Rs.120000, 5% between Rs.120001 to Rs.180000, 8.5% with a salary greater than Rs.180000. 40.5% of the rural consumer respondent's annual household income was seasonal, 35.5% respondent's income regular and steady, 24% respondent's income is partly fixed and partly seasonal. 25.5% of the rural consumer respondents held arable agricultural land (plantation type), 3.5% were holding land as a part of farm house and 33% were holding dry and 5.5% holding wet land.

85% of the rural consumer respondents own a house and 15% live in a rented house. 84% of the rural consumer homes are electrified, 48% have toilet facilities, 55.5% of the rural consumers houses are connected with tap water connection.

Media Habits

90.5% watch television and the 9.5% do not have an opportunity to watch TV. There is a significant influence of distance to the nearest town for the rural consumer on the regularity of watching television. 72.5% of the rural consumers stated that Chandana is the most preferred channel; 65.5% viewed ETV Kannada (second preference); 63.5% indicated National Network (third preference); 44% indicated Udaya (fourth preference); 11% viewed Sun TV (fifth preference) and all other channels were viewed less than 10%. There is a

significant influence of the sex of the respondents on the preferred timings for viewing television. 79% of the rural consumer's motive behind viewing television is entertainment, 49% for killing time, 32% for educational and awareness motive and 2.5% were not able to indicate the reason or motive behind viewing television.

38.5% of the respondents watch most of the advertisements, 28% watch some of them, and 13% watch all the advertisements. Advertisements help rural consumers arrive at good buying decisions. There is a significant difference in the perception of rural consumers on the usefulness of advertisements in helping them make informed decisions.

FMCG Shopping Frequency

32.5% of the rural consumer respondents shop for FMCG once in a week, 26.5% whenever needed, 25% shop monthly and 16% buy every day. 47% of the rural consumer respondents' average monthly spending on FMCG and Grocery Bill is between Rs.1,251 to Rs 2,500, 30.5% spend less than Rs.1,250, 12% spend between Rs1, 250 and Rs3, 750 and, 10.5% spend more than Rs3,751.

There is a significant influence of sex of the rural consumer respondents on the factors considered while purchasing FMCG. 73.5% of the rural consumer respondents ask for a particular brand, 37% ask for just about any brand and 12.5% ask for certain specifically priced FMCG. 59.5% of the rural consumer respondents equally opined that they would go for the next alternative brand, and buy it in the next shop respectively, 19% buy it the nearest town and 16% will not buy any other brand till the arrival of stock. 26.5% of the rural consumer respondents purchase FMCG products by paying cash and 73.5% use both cash and credit basis to purchase FMCG products.

Packing Preference of the Rural Consumer Respondents

98.5% of the rural consumer respondents preferred sachets, 97% preferred loose packs, 47.5% preferred poly packs and 25% preferred plastic jars. 83% of the rural consumer respondents prefer sachets of their low

unit consumption as the prime reason, 78.5% stating low price, 53% stating need based purchase and 45.5% stating storing convenience. 64.5% of the rural consumer respondents observe the written descriptions while purchasing FMCG and 35.5% do not observe the packing of FMCG while purchasing. 54.5% of the rural consumer respondents look for MRP, 47% look for date of manufacturing and expiry, 32.5% look for brand name, 31.5% look for logos and signs and 30.5% look for special offers. 57.5% of the rural consumer respondents indicate that they sometimes switch brands, 40.5% never switch brands and 1% each articulate that they mostly and, always switch brands.

Level of New Product Adoption by The Rural Consumer Respondents

64% of the rural consumer rarely try new brand, 26% never try new brands, 5% often try new brands and 4% not at all try new brands. There is a significant influence of the sex of the respondent on the frequency or rate at which they try new brand. For 80% of the rural consumer respondents, the source of new product information is retailers, 61% said that they come to know about new products, 28.5% through friends and relatives and 7% through neighbors.

Price Sensitivity of Rural Consumer Respondents While Purchasing FMCG

61% of the rural consumer respondents are not price sensitive and 39% are price sensitive while purchasing FMCG. In case of price increase, 31.5% of the rural consumer respondents stated that they will look for substitutes, 27% switch brands in the same product category and 8.5% do not switch brands, but reduce consumption of the price increased brand.

Store Loyalty of Rural Consumer Respondents

85% of the rural consumer respondent purchases their entire FMCG requirement in one shop and 15% do not depend on the same shop. 38.5% attributed the predominant factor being the availability of credit, 33% personal rapport with the shop keeper (rank 2), 16% price (rank 3), 36.5% good service (rank 4), and 40% proximity of the retail outlet (rank 5).

Suggestions Sought by The Rural Respondents From The Retailer Before Buying FMCG

66% of the rural consumers seek clarification (case-on-case basis) from the retailer before purchasing the product, 8% always clarify before purchasing from the rural consumer and 26% do not seek suggestions from the retailer. 61% of the rural consumer respondent's clarification is regarding the quality of the product, 44.5% regarding special offers, 40% indicating price, 33% indicating suitability of the need of the product, 21.5% clarifications regarding alternative brands while switching and 21% regarding the usability nature of the product. Only 26.5% of the rural consumer respondents do not avail credit, 55% always (yes) buy on credit and 18.5% sometimes use credit facility.

Transfer of Benefits Offered by Marketers to The Rural Consumers by Rural Retailers

52% of the rural consumer respondents state that they are not being passed with the benefits, 23% state that the benefits are passed on by the retailers and 25% state that they sometimes receive the benefits. There is a significant influence of the distance to the nearest town of the rural consumer and the passing of benefits by the retailer to the rural consumers.

HAATS

55.5% of the rural consumers use bus to visit haats, 36.5% use two wheelers, 29.5% use bicycles, 21.5% visit haats by walk, 17.5% use LCV's or trucks, 13.5% use cars or jeeps and 11.5% use tractors to visit haats. 81% of the rural consumers visit haats only for purchases, 30% for trading and 29% for daily purchases. 80.5% of the rural consumer respondents' state reasonable or low price as the motive for shopping in weekly haats, 59.5% state wide variety, 57.5% state convenience and 51.5% state good quality compared to village outlets. 81% of the rural consumers respondents noticed advertisements and 19% have not noticed advertisements in weekly haats. There is no significant influence of sex of the respondent on bargaining while purchasing in weekly haats.

Findings – Retailers Demographic Factors

As much as 83.1% of the rural retailer respondents surveyed was males and 16.9% were females. 22.8% of the rural retail respondents are in the age group of 28 to 34, 21.9% each between the age group of 35 to 41 and 42 to 49 years, and 16.9% each between the age group of 21 to 27 years and 50 and above, years respectively. 32.5% of the rural retail respondents possess only primary education, 32.2% qualifying PUC, 23.4% completed SSLC and 11.9% were graduates. 49.7% of the rural retail respondent's motive behind entering rural retailing is to circumvent unemployment, 31.3% motive being to continue ancestors' business, 10.6% the motive being side business. There is a significant influence of religion of the retailer on the motive behind entering rural retail business. 61.9% of the retailer respondents have a capital outlay of less than Rs. 100,000, 24.4% between Rs 100,001 and Rs 200,000, 8.8% between Rs 200,001 and Rs 300,000 and 5% more than Rs 300,001.

Method of Shopping by Consumers While Shopping For FMCG

35% of the rural retailer respondent's consumers ask for a specific product, 58.8% ask for specific product sometimes, 80.3% sometimes ask for just about any brand, 62.2% sometimes ask for specifically priced products and 25% sometimes ask for nothing particular. The most important factor considered by consumers are both quality and price with 27.5% responses, followed by special schemes and offers with 21.9%, packing with 16.8% and brand image with 15.4% responses. 15.3% of the rural retail respondents consumers stated that they will go for other brands, followed by 7.2% stating that they do not buy any other brand, 82.8% state that they sometimes go for other brand, 78.1% stating that they will sometimes seek the rural retailer's suggestion, 75.6% stating that they sometimes do not buy and 73.4% stating that they sometimes go to the next shop.

Factors Influencing the Pushing of Unbranded Products

As much as 47.8% indicate rank 1 for non difference in quality between branded and unbranded products, 42.2% responses for rank 2 for affordable price for

customers, 42.2% responses for rank 3 for more margins and rank 4 for pushing retailer favorite brand with 15.9% responses.

Product Categories for which Suggestions are sought by the Consumers from the Rural Retail Respondents

When packaged and processed food products are to be purchased, consumers ask suggestions from rural retail respondents with 29.7% responses with a rank of 1, rank 2 with 23.1% responses for household care products, rank 3 for skin care products with 29.1% responses and rank of 4 for other FMCG with 14.7% responses.

Promotions

As much as 44.1% responses of the rural retail respondents rank 1 the promotion by means of price-off, rank 2 for one-to-one offer with 35.3% responses, rank 3 for freebies with 26.6% responses, rank 4 for extra for same price with 41.3% responses and rank 5 for gifts with 20.6% responses. There is a significant difference in the attitude of customers in their FMCG purchasing habits.

Shelf Movement of Various Product Categories

As much as 65.6% of the rural retail respondents state that hair care products are fast moving; 72.8% articulate skin care products are also fast moving, 83.4% articulate that fabric care products too are fast moving, 93.8% of the respondents articulate loose provisions are fast moving, 45.9% articulate that beverages are normal moving and 64.1% articulate that household care products are slow moving.

Stock Holding Pattern of the Rural Retail Respondents

As much as 37.2% retailer respondents prefer medium price products, 32% favoured cheaply priced products, 24.3% stocked premium products and 6.6% stocked only cheap products.

Ranking of Motive behind Stocking Unbranded Products

Rank one for the retailers who stock unbranded products for getting more margins, rank 2 for credit

facility provided by the seller, Rank 3 for low price of unbranded product & rank 4 as the rural customer's preference.

Total items stocked in shelf by the rural retail respondents: 33.1% of the rural retailer respondent's stock 25 to 50 items, 27.8% stock 51 to 75 items, 26.9% of the respondents stock 76 to 100 items, 1.6% stock less than 25 items in shelf.

Frequency of replenishment of stock by the rural retail respondents: 44.6% of the rural retail respondents replenish stock on a daily basis, 35.7% replenish stock once in a week and 19.7% replenish stock as and when the need arises.

Sources of replenishment of stock by the rural retail respondents: 37.8% of the rural retail respondents' source of replenishment is weekly haats, 36.4% visit near by town and cities for replenishment of stock, 19.2% depended on dealers van or sales people visit for replenishing their stock, 5.9% depend on company sales people and 0.7% on other miscellaneous sources. 50.9% of the rural retail respondents used public transportation while self-procuring, 25% used two wheelers and bicycles, and 17.4% used jeeps and lorries (private conveyance).

Method of recognition of brands by rural consumer as per the observation of rural retail respondents: 27.6% of the consumers recognize the brands by looking at the picture shown to them.

Selling of the products at MRP: 50% of the rural retail respondents sometimes sell their product at MRP and 42.8% sell only at MRP and 7.2% are not selling the products at MRP. 50.9% of the rural retail respondents stated that there is not enough profit to sell the product at MRP, 45% stated more transportation cost and 26.9% stated that there is no enough volume of sales. There is a significant influence of capital outlay on the retailer selling the product at MRP.

Credit Facilities

56.3% of the rural retail respondents sometime provide credit to their customers, 35% provide credit to their customers many a times, 7.2% never offer credit

and 1.6% of the rural retailers said that they always sell products on credit. There is a significant impact of average daily turnover and provision of credit to customers by retailers. SPURIOUS PRODUCTS

26.6% of the rural retail respondents required more margin, 21.5% favoured low price, 20.6%, due to customer's preference, 13.5% since spurious product suppliers offered credit facility and 11.2% due to availability of spurious products. There is no significant influence of capital employed on reasons for selling spurious products. 48.9% of the rural retail respondents point to multi-brand whole sellers as their major source of spurious products, 25.4% relies on traveling sales men, 13.8% on distributors, 7.9% indicate miscellaneous source and 4.1% of the respondents indicate other sources. 41.8% of the rural retail respondents indicate the other retailers form a predominant purchase source for spurious products, 21.6% indicated that weekly haats, 17.1% from mobile retailers, 15.4% from manufacturer's agent and 4.1% from other miscellaneous sources.

Sources of New Product Information

The primary source for new product information was dealers and distributors, the second best source was customer queries, the third was advertisements and the last source was company sales representatives. 64.4% of the rural retail respondents state that that the youth asks queries with respect to a new product, 60.6% men and 55.6% women customers query about new products at less frequent intervals.

Transfer of Benefits offered by The Sellers to Consumers

61.3% of the respondents passed on the benefits to consumers that have been given to them by companies and 38.7% were not passing on the schemes to consumers, though they have been provided with it. There is a significant influence of capital employed on passing of schemes or offers to consumers that are offered by marketers. 34.86% of the rural retail respondents do not transfer the schemes to consumers since there is not enough margin, 11.01% to make profit, 5.50% pass on the offers and schemes when

the consumer buys only in bulk and 4.59% stated the following reasons as - exhausted, less profit, less stock turnover, less volume and more cost, not available in villages and not profitable.

Array of Promotions provided by the Marketers to the Retailers

44.1% of the rural retail respondents rated price-off as rank 1, 35.3% rated one to one offer as rank 2 and 26.6% rated freebies as rank 3, 41.3% ranked extra for the same price 4th and gifts ranked 5th with 20.6% responses. 48.4% of the rural retail respondents considered posters as effective, 30% considered banners very effective and 20% indicated that they are effective. 22.8% of the respondents suggest that wall paintings are very effective and 22.2% suggesting that they effective. 30% of the rural retail respondent considers hangings as very effective and 15% stating that it is effective.

Product Strategies

1. When marketers introduce products in rural areas or develop a new advertisement campaign either to increase market share or to create awareness or for deeper penetration, it is suggested to display the product and accompany it by a salesperson who has thorough product knowledge is capable of giving a demonstration and clarifying the doubts of the rural consumers pertaining to the product. As rural consumers have different levels of education, only one means of promotion will not work in this market.
2. Focus should be on engineering the products or brands specifically to cater to the rural markets. In cases where designing an altogether separate product or brand for the rural market is not possible, reverse engineering is recommended. However, on the quality front, a rural consumer looks at value for money. The condition is that it must suit their culture and its price worthiness. The packaging of the product must be sturdy. Products meant for rural markets have to travel longer distances and the external packaging should withstand frequent and rough handling.

Spurious Products

As the rural consumers recognise brands by packaging, logos, trademarks and colours, a few unscrupulous

marketers introduce pass off or look alike spurious products to exploit the rural consumer's emotional surplus identity. It is suggested to employ product's name in local languages and dialects to create consumer awareness.

Price

For rural products, the strategies adopted must focus on cutting the middlemen margins; reducing frills and keeping lower stocks to reduce transaction costs and passing these benefits to customers can further increase the turnover. Therefore, it is suggested that marketers use urban markets for value and rural markets for volume to achieve trade-off between value and volume.

Keeping in view the seasonality and low disposable income of the rural consumers, penetration pricing will undoubtedly be very effective.

Promotion

1. Only village youth and children are demanding for the offers. Therefore the retailers should be motivated to pass on the benefits offered by the marketers. The entire promotional campaign communications should be targeted towards village youth and children because most of the time only this group demands for schemes and offers.

As many of the rural respondents are connected with cable and the most viewed regional channels are – Chandana, ETV (kannada), National network and Udaya. Advertisements should be telecast during the evening primetime as rural respondents prefer this timing for watching television.

2. As the rural respondents do not enjoy commercial breaks greatly and few of them also consider it an interruption to their favorite programmes, the advertisements should be as entertaining as the programmes they currently watch; such that the respondents do not feel the commercial breaks as an interruption or disturbance.

Advertisements in the regional language should be taken seriously rather than hiring just national channels. Most of the time, rural households are

connected to regional channels like Chandana, ETV Kannada, Udaya etc.

3. While hiring broadcast media, it is suggested to buy during evening prime time (7 PM to 10 PM) because at this time the viewer ship is maximum.
4. Most of the rural consumers watch TV only for entertainment and most watched programmes are serials, feature films and News. 'Edutainment' (education and entertainment) is a good route to take when targeting the rural audience.
5. There is a dearth of creative minds to produce software for rural folk. Therefore, it is suggested to tie up with local ad agencies or language writers to think creatively and develop a communication package to reach the rural audience.
6. While hiring the most popular media radio, more prominence should be given to jingles. Jingles should be carefully framed with dialogues from popular regional films and popular local musical instruments.
7. Focus should be more on BTL (Below the Line) rather than ATL (Above the Line) because rural consumers give more prominence to touch and feel effect and face-to-face contact rather than advertisements on mass media. Emphasis should be more on non conventional media viz. puppet shows, drama, wall painting, cutouts, video vans, P o Ps, demonstrations, contests etc. While communicating through this medium, it is essential that the brand message be delivered.
8. In Karnataka, cinema commercials still a promising media choice to reach rural audience. Therefore, it is suggested that the marketers, come out with novel cinema commercials and they must tap this cost-effective source to reach rural audience.
9. Avoid product concept in branding while building brands in rural markets. Build an emotional bond between the brands and target rural consumers. Consumer-centric emotional branding is the key and the narration should depict the rural consumer's lifestyle, dreams and goals.
10. A well known brand can be used for umbrella branding, because the concept of brand loyalty is more in rural India. Rural consumers, while purchasing new products perceive the same quality of a well established and known parent brand and prefer it to any unknown new brand.
11. Lion's share of the rural respondents is depending upon self procurement and majority of them are still utilizing public transportation for the same. Most of them procure the requirements from feeder towns and haats. Therefore, it is suggested to focus on these feeder towns and haats to reach rural consumers rather than all the villages in Karnataka State.

Rural Distribution

The marketer can build the rural distribution system by using van operations. The same van can also be used for promotional activities viz. audio-visuals, demonstration of products or distribution of free samples. To achieve this well trained marketing executive should be employed. The distribution costs in the initial year would be high because of low volumes and this cost is to be treated as an investment rather than expenditure.

Most of the respondents purchase FMCG within the rural areas and a rural retailer knows his customer better than anyone else. Therefore, a few set of questions should be administered on the rural retailers and the same should be analysed by the regional heads and sent to the corporate headquarters for reference.

LUPs

It is suggested that the marketers offer products in flexible and low unit packs. Even while designing the packages, local language should be used. Colours should be used extensively and distinctive. Date of expiry or manufacture and MRP should be displayed in bold letters (because these are the most observed contents on packs in rural areas). This ensures that over pricing of products by rural retailers is minimised.

Test Marketing

Only a handful of marketers are engaged in this activity. With the rural marketing emerging as an

important segment (domain) and growth driver for FMCG marketers, they will have to test their products in the villages as well. For this, it is suggested that separate cluster of villages are set up to conduct pilot studies. This will assist in comprehending the rationale behind rural retailing practices and buyer behaviour in the following areas: (i) product quality; (ii) pricing policy; (iii) packaging; (iv) advertising message and its credibility; and (v) media vehicle. This should be done especially in the case of brand extension, because a small mistake in brand extension has a negative impact on the parent brand in other markets. Based on the feedback, marketers can make some modification in their marketing-mix and segmentation of rural products before full fledged commercialisation.

Limitations of this Study

The limitations of this study are:

- (i) is confined to geographical limits of Karnataka state only.
- (ii) is restricted to FMCG sector only.
- (iii) only branded i.e., national level brands have been incorporated.
- (iv) the researcher has come across problems pertaining to rating and ranking of rural respondents which is due to illiteracy.
- (v) the information obtained from the respondents is based on both questionnaire and face to face interview. The respondents' responses are likely to change in other occasions.
- (vi) the sample is supposed to represent the views of the whole population and
- (vii) the study has assumed eight product categories to provide a fair representation of the FMCG category.

Conclusions

The study titled "Trends in rural marketing of FMCGs in Karnataka" has been conducted empirically to comprehend the gap that arises out of standardisation of marketing practices between urban and rural markets. This became evident when the urban markets provided the top line for companies. With the saturation of urban markets and the thrust being shifted from urban to rural, a comprehensive study on the rural markets became necessary.

The study was conducted during 2007 – 2008. This period is crucial as the penetration of television, cable and satellite television links have provided greater awareness to the rural consumers. While on the other hand, it provided the marketers the requisite thrust to penetrate these markets, which is not viewed as a profitable proposition earlier. Thus the study comes at a crucial time when the Indian markets have become more open to the retail sector and establishment of stores in rural markets. The study could have been conducted in many varied dimensions. However, the researcher in this study has focussed the energy and resources on the following areas to understand the characteristics of the villages in Karnataka in terms of (i) demography (ii) buying behaviour (iii) price sensitivity (iv) preference of retail outlets (v) role of retailers in rural marketing of FMCG (vi) role of spurious products and (vii) media habits of rural consumers, and provided comprehensive findings that will help the decision makers to have a fair idea and a better understanding of the rural markets with respect to the behaviour of rural consumers and also the rural retailing practices adopted by the respondents in various strata.

The study highlights the buying behaviour of rural consumers, where their purchase is mainly on a daily or a weekly basis and the family disposable income is a collective outcome of the family rather than that of individual members. The channels of distribution that can be successfully deployed to reach these untapped pockets require ingenuity and creativity. The means by which the products are identified or recognized are different from that of the urban masses. This provides a reasonable opportunity for pushing spurious products, which needs to be controlled. The credit practices, shelf space, buying patterns, stock replenishment, suggesting products in case of queries of rural retailers is different from that of the urban retailing practices. The role of a retailer is more predominant in rural areas, which is virtually non-existent in urban FMCG markets. The locations from which the products are purchased are also different from that of urban markets.

The results of the study can be applied as a guideline to develop and manage rural markets especially in Karnataka region. Based on the study, marketers can

frame effective marketing strategies incorporating rural consumers' behaviour effectively and efficiently. With this study, the media practices and darkness prevalent in rural India can be understood and effective rural specific media planning can be offered to build strong and powerful rural brands which serve rural masses by creating everlasting relationship.

Marketers have to understand the fact that rural marketing in Karnataka has a tremendous potential and try to tap this. To conclude, it may be said that the shape of rural income distribution and their consumption pattern needs to be looked into from a wider spectrum. To tap the rural market, it is essential to have an understanding of rural consumer psychology in terms of their usage habits and their shopping behaviour along with emotions and value system. Ingredients for success in rural markets include long-term commitment, cost re-engineering and sustained innovation to meet the needs of rural masses. Once the necessary homework is done, the mirage will surely transform into concrete reality.

Directions for Future Research

The researcher has identified the following areas for future research:

- (i) Since the study was confined to geographical limits of Karnataka state only, an extended study of this kind encompassing other states as well.
- (ii) The present study on rural markets has been restricted to an eight nationally branded FMCG products. Studies covering more number of consumer products and durables may be taken up at the regional level.
- (iii) Studies may be conducted using panel data for assessing temporal changes.
- (iv) More rural research studies should be undertaken to understand the rural consumers better and generate more reliable data on the rural sector at periodic time intervals as it will capture the rural markets' evolution.
- (v) Measurement problems may be addressed for region-specific rural consumers.