



Project Report On

**COMPARITIVE STUDY OF FAST MOVING COUNSUMER GOODS IN RURAL  
MARKET**

Submitted by

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Roll NO: **219**

Submitted to



**UNIVERSITY OF MUMBAI**

**MASTER OF COMMERCE**

**(ACCOUNTANCY / MANAGEMENT)**

Semester- III / IV

(2020–21)

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*Certificate*

This is to certify that Urvashi Bhanushali has worked and duly completed his/her Project Work for the degree of Master in Commerce under the Faculty of Commerce in the subject of Rural Marketing and her project is entitled, Comparative study of fast moving consumer goods in rural market under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is her own work and facts reported by her personal findings and investigations.

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***Declaration by learner***

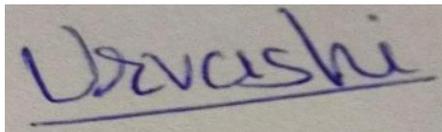
I, the undersigned declare that the work embodied in this project work hereby, titled, forms my own contribution to the research work carried out under the guidance of (**Ms. Sushma Patil** ) is a result of my own research work and has not been previously submitted to any other University for any other Degree to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

Name of the learner: Urvashi Bhanushali.

Signature:

A photograph of a handwritten signature in blue ink on a light-colored surface. The signature reads "Urvashi" in a cursive script, with a horizontal line drawn underneath the name.

**Certified by**

Name of the Guiding Teacher: Ms Sushma Patil

Signature:

## Acknowledgment

To list who all have helped me is difficult because they are so numerous and the depth is so enormous.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project.

I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.

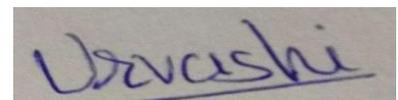
I would like to thank my **Principal, Dr. Ajay M. Bhamare** for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our **Coordinator (Ms. Sushma Patil)**, for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide (**Ms. Sushma Patil**) whose guidance and care made the project successful.

I would like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially **my Parents and Peers** who supported me throughout my project.

A rectangular box containing a handwritten signature in blue ink. The signature appears to be 'Urvashi' written in a cursive style.

**Signature of the Student**

**ABSTRACT**

The paper focuses on marketing of fast moving consumer goods. Fast moving consumer goods are generally low profit margin. Products are therefore sold in large quantities. Therefore, it is very important to focus on how to improve brand value for the customers as many brands are available for the same categories of products. Another area focused in the paper is how recession affects the demand for fast moving Consumer Goods and what are the reasons for these changes. In such a situation, it becomes necessary for the producers or the companies to increase the investments in these brands and products so that consumers are attracted towards them. In order to support these observations Dove's Real Beauty Campaign has been elaborately discussed and the points which lead to the success of this campaign have been highlighted. Unilever was able to create a brand value for Dove by taking regular consumers in its advertisements rather than professionals or celebrities. Consumer women became its brand Ambassadors in place of celebrities. The present study is taken up with an objective of finding out difference if any in the value relevance of earnings per share and book value per share between private and public sector banks listed on Bombay Stock Exchange, India. Using a valuation model provided by Ohlson (1995), the study uses data for a period of 15 years from 2002 to 2016. Findings of our study show that: 1) earnings per share (EPS) and book value per share (BVPS) jointly and individually are positively and significantly related with market share price of public sector banks, private sector banks, and all banks; 2) The incremental information content of BVPS is greater than that of EPS in public sector banks. While in private sector banks, EPS add more to the overall explanatory power of the model than BVPS; 3) The common explanatory power of EPS and BVPS is greater in public sector banks, which is 49.8%; 4) Overall findings reported that accounting information in public sector banks is more relevant than that of private sector banks.

The fast-moving consumer goods (FMCG) sector is an important contributor to India's GDP and it is the fourth largest sector of the Indian economy. 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. FMCG Industry in India is witnessing a change – a change in the pattern in which it is growing – needless to say, with the changing demographics, the pattern of marketing would also change. As rural penetration increases, the rural markets would command more and more share of the overall FMCG space. Though the urban markets are growing too, the incremental addition in consumers / households is much more in rural space as compared to urban markets. Rural marketing has

become the latest marketing mantra of most FMCG majors. The rural India is vast with unlimited opportunities, waiting to be tapped by FMCG's.

Hence the Indian FMCG sector is busy putting in place a parallel rural marketing strategy. Therefor a comparative study is made on growth, opportunity and challenges of FMCG's in rural market. This paper will providedetailed information about the growth of FMCG industry in rural market of India and examining the challenges, opportunities for the FMCG's in rural market with growing awareness and brand consciousness among people across different socio-economic classes in rural area of India and how the rural markets are witnessing significant growth.

## **Review of Literature:**

Review of related literature makes the investigator fully aware with the previous work that has been done. It also provides an opportunity of gaining insight into the method, measures, subject and approaches employed by the other researchers. A careful review of research, journals, books, dissertations, thesis and other sources of information about the problem to be investigated is one of the important steps in the planning of any research studied. Mahalingam and Nandha Kumar (2012) concluded that the consumer behaviour plays an important role in marketing. This is influenced by various factors. In the changing global scenario we find that consumers needs and wants to buy a product also changes with it. In this study titled "A Study on Consumer Behaviour towards Selected Fast Moving Consumer Goods in Coimbatore City" the researcher has assessed the socio-economic profile ,shopping pattern of consumers and found out the factors influencing the consumer to purchase the selected FMCGs products.

The primary data required for the study was collected through questionnaire which was distributed to 400 samples chosen from Coimbatore city .The tools used for analysis are percentage analysis, garrett ranking and chi-square. From this study it was found that most of the consumers are influenced by brand and quality in purchase of FMCGs products. There by the researcher has suggested improving the quality in FMCGs product through product development and external monitoring. Bhagat (2012) concluded that today, companies focus on consumer to reach success in the global competitive environment. In new marketing approaches, focus on consumer activities take place of focused on product/service activities. The companies analyse consumer qualifications and form their marketing strategies based on them. The consumers are affected from some individual and environmental factors, such as motivation, personality, perception, learning, values, beliefs, attitudes, life style, personal influence, reference group, family influence, social class and culture in their buying decision process.

The aim of this study is to focus on affecting factors on the consumer buying behaviour in teenager consumer market, because teenager consumers are one of the important market segments of companies. Srivastava and Kumar (2013) analysed that FMCGs sector is a vital contributor to India's Gross Domestic Product. It has been contributing to the demand of lower and middle- income groups in India. Over 73% of FMCGs products are sold to middle class households in which over 52% is in rural India. Rural marketing has become the hottest marketing arena for most of the FMCGs companies. The rural India market is huge and the opportunities are unlimited. After saturation and cutthroat competition in urban areas, now many FMCGs companies are moving towards the rural market and are making new strategies for targeting the rural consumer.

The Indian FMCGs companies are now busy in formulating new competitive strategies for this untapped potential market. Therefore, a comparative study is made on growth, opportunity, and challenges of FMCGs companies in rural market. One of the most attractive reasons for companies to tap rural consumers is that an individual's income is rising in rural areas and purchasing power of lower and middle income groups is also rising and they are eager to spend money to improve their lifestyle. This research paper provides detailed analysis about the contribution of FMCGs industry in growth of Indian rural market and aims to discuss about customer attitude towards better purchasing decision for FMCGs products in rural market with growing awareness and brand consciousness among people across various socioeconomic classes in rural market.

## **Methodology**

The method used in this paper is descriptive-evaluative method.

The study is mainly review based. It is purely supported by secondary source of data, i.e. books, journals, papers and articles and internet.

## Introduction of FMCG

Fast-Moving Consumer Goods (FMCG) or Consumer Packaged Goods (CPG) are products that are sold quickly and at relatively low cost. Though the profit margin made on FMCG products is relatively small (more so for retailers than the producers/suppliers), they are generally sold in large quantities; thus, the cumulative profit on such products can be substantial. FMCG is probably the most classic case of low margin and high volume business. The Indian FMCG sector is the fourth largest sector in the economy with an estimated size of Rs.1, 300 billion. The sector has seen tremendous average annual growth of about 11% per annum over the last decade. In India, the scenario is quite different in comparison to developed nations where the market is dominated by few large players, whereas FMCG market in India is highly competitive and a significant part of the market includes unorganized players selling unbranded and unpackaged products. Approximately 12-13 million retail stores exist across India, the large percentage of which around 9 million are kirana stores. India FMCG sectors' comprises of few significant characteristics like well connected distribution network, high level of competition between the organized and unorganized FMCG players, and low operational cost. In India, FMCG companies have privilege of having easy availability of raw materials, cheaper labour costs and presence across the entire value chain gives India a competitive advantage.

The main characteristics of FMCGs are:

- From the consumers perspective:
- Purchase or Daily consumed products.
- Involvement (little or no effort to choose the item products with strong brand loyalty are exceptions to this rule) price.

From the marketers' angle:

- High volumes.
- Low contribution margins.
- Extensive distribution networks.
- High stock turnover.

FMCG denotes Fast Moving Consumer Goods, supplied in the retail marketing as per the daily consumer demand. These daily needs and wants have to be served to satisfy their hunger. Therefore, these trillion in the total economy with rural India contributing to a third of revenues. As per a study conducted by Booz & Company, FMCG sector is expected to grow in the range of 12% to 17% up to 2020 and could touch a market size between Rs. 4,000 to Rs.6,200 billion by 2020.

Consumer preferences in rural markets have shown a paradigm shift over the last few years. Their consumption basket looks very similar to that of urban counterparts. Premium products are replacing basic versions and brands are making their presence felt. Nielsen estimates that the FMCG market in rural India will mark US\$ 100 billion by 2025, from the current level of US\$ 12 billion.

Moreover, the Government's efforts to improve the efficiency of welfare programs with cash transfers will further boost rural consumption; it plans to deposit US\$ 570 billion in the accounts of 100 million poor families by 2014. The rural FMCG market in India has grown 15% in 2011 (Nielsen Report, 2012). The Indian rural consumer market grew 25% in 2008 and reached US\$ 425 billion in 2010-11 with 720-790 million customers (Quarterly Report, CII Technopak, 2011). According to FICCI Technopak Report 2009, FMCG industry is projected to grow by 12% and reach a size of US \$ 43 billion by 2013 and US \$ 74 billion by 2018. During the year under review, the FMCG industry continued on steady growth trajectory. Riding on continued demand for branded food products, personal care, household care, baby care and OTC. Products, the Indian FMCG sector crossed the Rs.2-trillion mark in fiscal 2012-13, as per AC Nielsen. Future growth in the FMCG sector is expected to be driven by: Low per capita consumption: Per capita consumption levels in FMCG categories such as skin care, shampoos and toothpastes are much lower in India as compared to other markets and are expected to drive growth in future. Favorable demographics: 65% of India's population is below the age of 35 years, making India one of the youngest nations and an important aspect of consumption growth.

### **Investments/ Developments:**

The Government has allowed 100% Foreign Direct Investment (FDI) in food processing and single-brand retail and 51% in multi-brand retail. This would bolster employment, supply chain and high visibility for FMCG brands across organised retail markets thereby bolstering consumer spending and encouraging more product launches. The sector witnessed healthy FDI inflow of US\$ 16.28 billion during April 2000-March 2020.

Some of the recent developments in the FMCG sector are as follows:

- In November 2020, Hindustan Unilever (HUL) launched a new brand in the naturals segment—Nature Protect — that will include over half a dozen products in the hygiene segment, as part of its strategy to launch plant-based products in the backdrop of the COVID-19 outbreak.
- On November 4, 2020, Amway India announced plans to invest Rs.150 crore (US\$ 20.16 million) to improve manufacturing automation and home delivery and enhance its digital capabilities.
- In October 2020, Nestle India announced plan to infuse Rs.2600 crore (US\$ 348.82 million) into its eight manufacturing plants for enhancing production capabilities over the next four years.
- PepsiCo India announced to double its business from the snacks segments in October 2020. The company has increased investment in its new green field snacks plant in Uttar Pradesh from Rs.500 crore (US\$ 68 million) to about Rs.814 crore (US\$ 111 million) generating 1,500 direct/indirect jobs and enabling a local sourcing ecosystem.
- In October 2020, Britannia has signed a Memorandum of Understanding (MOU) with the Tamil Nadu government, stating increase of investment in the state from Rs.300 crore (US\$ 41 million) to Rs.550 crore (US\$ 75 million) over a period of seven years.
- In September 2020, Orkla, a Norway based consumer goods company acquired 68% stake in eastern Condiment.
- In May 2020, Tata Consumer Products Limited (TCPL) acquired PepsiCo's stake in Nourish Co Beverages Limited.
- In March 2020, Hindustan Unilever Limited (HUL) signed an agreement with Glenmark Pharmaceuticals Ltd to acquire its intimate hygiene brand VWash.
- In November 2019, ITC Ltd acquired 33.42% stake in Delectable Technologies, which is a vending machine start-up.
- Nestle plans to invest Rs.700 crore (US\$ 100.16 million) to open a new plant in Sanand for Maggi.
- ITC to invest Rs.700 crore (US\$ 100 million) in food park in Madhya Pradesh.
- Patanjali will spend US\$743.72 million in various food parks in Maharashtra, Madhya Pradesh, Assam, Andhra Pradesh and Uttar Pradesh.

### **Characteristics of FMCG Products:**

- Individual items are of small value. But all FMCG products put together account for a significant part of the consumer's budget.
- The consumer keeps limited inventory of these products and prefers to purchase them frequently, as and when required. Many of these products are perishable.
- The consumer spends little time on the purchase decision. Rarely does he/she look for technical specifications (in contrast to industrial goods). Brand loyalties or recommendations of reliable retailer/dealer drive purchase decisions. Trial of a new product i. e. brand switching is often induced by heavy advertisement, recommendation of the retailer or neighbors/friends.
- These products cater to necessities, comforts as well as luxuries. They meet the demands of the entire cross section of population. Price and income elasticity of demand varies across products and consumers. The importance of consumer sales promotion in the marketing mix of the fast moving consumer goods (FMCG) category throughout the world has increased. Companies spend considerable time in planning such activities.

However, in order to enhance the effectiveness of these activities, manufacturers should understand consumer and retailer interpretations of their promotional activities. The study here pertains to consumer's perceptions regarding sales promotion. Some past researches have suggested that promotion itself has an effect on the perceived value of the brand. This is because promotions provide utilitarian benefits such as monetary savings, added value, increased quality and convenience as well as hedonic benefits such as entertainment, exploration and self-expression. These are the four basic pillar of marketing mix.

Most of the marketing strategies are built on the basis of these criteria promotion is one of the important elements of marketing mix. There are so many elements of promotion such as: Advertising, Direct Marketing, Public Relations, Sales Promotion Traditionally, Sales Promotions have been used by marketer to increase sales in the short term. However, in the last few decades this communication tool has evolved and now is considered from a strategic point of view. For this reason, it is necessary to realize new studies in this area and study how consumers evaluate sales promotions. Sales promotions have grown in both importance and frequency over the past few decades. Although an accurate estimate for total sales promotions expenditures does not exist, we can be sure that the trend is up. Sales promotion serves three essential roles: It informs, persuades and reminds prospective customers about a company and its products. Even the most useful product or brand will be a failure if no one knows that it is available. As we know, channels of distribution take more time in creating awareness because a product has to pass through many hands between a producer and consumers. Therefore, a producer has to inform channel members as well as ultimate consumers about the attributes and availability of his products. The second purpose of promotion is persuasion. The cut throat competition among different products puts tremendous pressure on their manufacturers and they are compelled to undertake sales promotion activities. The third purpose of promotion is reminding consumers about products availability and its potential to satisfy their needs. From these elements Sales Promotion is the element which is in the focus of this project.

The present study has been undertaken to make an assessment of the growing eminence of FMCGs industry in the era of enriching rural market in India. The Indian Fast Moving Consumer Goods (FMCGs) industry began to take shape during the past five decades. The Fast Moving Consumer Goods (FMCGs) sector is a corner stone of the Indian economy. This segment touches every aspect of human life. The FMCGs producers now understand that there is a lot of opportunity for them to enter into the rural market. The sector is eager about escalating rural population whose incomes are rising and which is prepared to spend on goods designed to improve life style. This paper provides information about the growth of FMCGs industry in rural market of India with growing awareness and brand consciousness among people across rural area of India and how the rural markets are witnessing significant growth. Presently, rural India accounts for 34% of total FMCGs consumption, but it accounts for more than 40% consumption in major FMCGs categories like as personal care, hot beverages, and fabric care. Moreover, 80% of FMCGs categories are growing faster in rural India as against urban India. There is a huge growth potential for all the FMCGs companies as the per capita consumption of almost all products in the country is amongst the lowest in the world.

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 where 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 the rural area as compared 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 FMCGs 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 other serious limitations. Therefore, the real problem for the marketers to penetrate into rural markets lies in understanding the heterogeneous rural consumers, reaching products to these remote locations, and communicating.

The fast moving consumer goods (FMCGs) the fourth largest sector in Indian economy is an important contributor to India's GDP growth. FMCGs industry primarily deals with the production, distribution and popularly named as Consumer Packaged Goods. Items in this category include all consumables people buy at regular intervals. The prices of the FMCGs are low and profits earned are more dependent upon the volume sales of the products. This sector which primarily operates on low margins and strength lies in the strong presence of distribution network, stiff competition between the systematized and disorganized sector, and the strong presence of multinational firms.

The growth of the FMCGs sector, which primarily includes food and beverages, personal care and household care, lies in the rural segments. Rural consumption growth has outpaced urban consumption with the increase in percentage in monthly per capita expenditure in rural markets surpassing its urban counterparts over the past five years. The FMCGs industry in India has grown rapidly over the last decade, predominantly on account of increasing income levels and changing lifestyle of Indian consumers. Rural marketers own certain special problems, but the following were found to be important from the marketing point of view: "distribution and logistics, transport and handling, location and degree of concentration of demands, dealers' attitudes and motivation, consumer motivation and buying behaviours, transmission media and impact".

Thus, the rural market bristles with many problems and to achieve a firm footing a marketer has to grasp these problems and provide innovative solutions to them. Brand awareness is the amount of familiarity among consumers about the life and accessibility of the brand. Brand identification is the ability of customer to recognize prior understanding of brand when they are asked questions about that brand. Brand recall is the potential of customer to recover a brand from his/her remembrance when given the product class/category.

The consumers recognizing and recalling the brands depend on awareness and influences preferences. Consumer preferences are defined as the subjective to characters tastes, as measured by utility of various bundles of goods. Ability to purchase goods does not determine a consumer's likes or dislikes. The individual consumer has a set of preferences and values whose determinations are outside the realm of economics. They are no doubt reliant upon culture, education, and individual tastes, among the excess of other factors. If an individual purchases particular goods, then the opportunity cost of that purchase is the forgone goods the consumer could have bought instead.

## **Problems of FMCGs Marketing in Rural India:**

The peculiarity of the rural markets and rural consumers pose challenges to the marketers in reaching them effectively. While making out a case for opportunities that are rapidly developing in rural markets, one should not underrate the several daunting problems in planning for growth. Marketing activities require transportation facilities. Due to poor transportation facilities, marketers find it difficult to reach markets. In the rural areas, there are no facilities for public as well as private warehousing. Marketers face problem of storage of their goods. It is the first important step of product processing. If the packaging cost is high, it will increase the total cost of products. It is suggested that the marketers should use cheaper materials in packaging for the rural markets. Media have lots of problems in rural areas. The main problem of rural marketing is seasonal demand. It is because 75% of rural income is also seasonal. Rural marketing depends upon the demand of rural people and demand depends upon income and consumer behaviour. Per capita income is lower in rural areas compared to those in urban areas. Again, the distribution of rural income is highly skewed, since the land holding pattern, which is basic asset, it is skewed. The literacy rate is low in rural areas compared to urban areas. This again leads to the problem of communication for promotion purpose.

Distribution costs and non-availability of retail outlets are foremost problems faced by the marketers. The sole consumption patterns, tastes, and needs of the rural consumers should be analysed at the product arrangement stage so that they match the needs of the rural people. Therefore, marketers need to identify with the social dynamics and approach variations within each village though nationally it follows a consistent pattern. Prospects of Rural Marketing The largest population in rural areas provides more opportunities in rural marketing. Rural Market, Rural consumption of FMCGs products has outpaced urban consumption. Leading companies in the FMCGs sector have a strong distribution network in rural India and are benefitting from the contribution of technological advances such as internet and better logistics services. As Indian consumers become increasingly exposed to global products, their demand for innovative products has been increasing. With an emergence of India as a strong regional economy, domestic and multinational FMCGs players can leverage India as a strategic sourcing hub for cost competitive products to cater to international markets. Inorganic Growth Strategies for a Wider Footprint Companies are entering into partnerships that will help them to cater to the market, and improve their distribution networks and skills to deliver to the last mile. Most of the household and personal care products sold in India still have low market penetration in rural and semi-rural areas. This offers a wide opportunity for market players to tap these markets by offering low cost, small packaging products, and increases in purchasing power and disposable income. Consequent lifestyle upgrade has added a new spectrum. Conclusion The new phase of rural marketing appears to provide a great opportunity for the FMCGs sectors. Marketers will need to advance new strategies to connect and communicate with a more aware and absolute consumer. The demand or prospect could be improved further if companies can change the consumer's mindset and present new generation products. Thus, we can safely suggest that the future drivers of growth are the rural markets for the FMCGs sectors.

### **India - A large consumer goods spender**

- An average Indian spends around 40 per cent of his income on grocery and 8 per cent on personal care products.
- The large share of fast moving consumer goods (FMCG) in total individual spending along with the large population base is another factor that makes India one of the largest FMCG markets.
- Even on an international scale, total consumer expenditure on food in India at US\$ 120 billion is amongst the largest in the emerging markets, next only to China.
- Consumers expenditure on food.

### **Demand-supply Gap:**

Currently, only a small percentage of the raw materials in India are processed into value added products even as the demand for processed and convenience food is on the rise. This demand supply gap indicates an untapped opportunity in areas such as packaged form, convenience food and drinks, milk products etc. In the personal care segment, the low penetration rate in both the rural and urban areas indicates a market potential.

## **FMCG Category and products**

### Category Products Household:

- Care Fabric wash (laundry soaps and synthetic detergents); household cleaners (dish/utensil cleaners, floor cleaners, toilet cleaners, air fresheners, insecticides and mosquito repellents, metal polish and furniture polish).

### Food and Health beverages; soft drinks:

- Staples/cereals; Beverages bakery products (biscuits, bread, cakes); snack food; chocolates; ice cream; tea; coffee; soft drinks; processed fruits, vegetables; dairy products; bottled water; branded flour; branded rice; branded sugar; juices etc.

### Personal Care:

- Oral care, hair care, skin care, personal wash (soaps); cosmetics and toiletries; deodorants; perfumes; feminine hygiene; paper products.

## **INDIA COMPETITIVENESS AND COMPARISON WITH THE WORLD MARKETS:**

- Materials availability India has a diverse agro-climatic condition due to which there exists a wide-ranging and large raw material base suitable for food processing industries
- India is the largest producer of livestock, milk, sugarcane, coconut, spices and cashew and is the second largest producer of rice, wheat and fruits & vegetables.
- India also has an ample supply of caustic soda and soda ash, the raw materials in the production of soaps and detergents - India produced 1.6 million tonnes of caustic soda in 2003-04.
- Tata Chemicals, one of the largest producers of synthetic soda ash in the world is located in India. The availability of these raw materials gives India the locational advantage.
- Apart from the advantage in terms of ample raw material availability, existence of low-cost labour force also works in favour of India. Labour cost in India is amongst the lowest in Asian countries. Easy raw material availability and low labour costs have resulted in a lower cost of production. Many multi-nationals have set up large low cost production bases in India to outsource for domestic as well as export markets.

### **Leveraging the cost advantage:**

Global major, Unilever, sources a major portion of its product requirements from its Indian subsidiary, HLL. In 2003-04, Unilever outsourced around US\$ 218 million of home and personal care along with food products to leverage on the cost arbitrage opportunities with the West. To take another case, Procter & Gamble (P&G) outsourced the manufacture of Vicks Vaporub to contract manufacturers in Hyderabad, India.

This enables P&G to continue exporting Vicks Vaporub to Australia, Japan and other Asian countries, but at more competitive rates, whilst maintaining its high quality and cost efficiency.

Presence across value chain Indian firms also have a presence across the entire value chain of the FMCG industry from supply of raw material to final processed and packaged goods, both in the personal care products and in the food processing sector. For instance, Indian firm Amul's product portfolio includes supply of milk as well as the supply of processed dairy products like cheese and butter. This makes the firms located in India more cost competitive.

## **Central and state initiatives various states**

Governments like Himachal Pradesh, Uttaranchal and Jammu & Kashmir have encouraged companies to set up manufacturing facilities in their regions through a package of fiscal incentives. Jammu and Kashmir offers incentives such as allotment of land at concessional rates, 100 per cent subsidy on project reports and 30 per cent capital investment subsidy on fixed capital investment upto US\$ 63,000.

The Himachal Pradesh government offers sales tax and power concessions, capital subsidies and other incentives for setting up a plant in its tax free zones. Five-year tax holiday for new food processing units in fruits and vegetable processing have also been extended in the Union Budget 2004-05. Wide-ranging fiscal policy changes have been introduced progressively. Excise and import duty rates have been reduced substantially. Many processed food items are totally exempt from excise duty.

Customs duties have been substantially reduced on plant and equipment, as well as on raw materials and intermediates, especially for export production. Capital goods are also freely importable, including second hand ones in the food-processing sector. Food laws Consumer protection against adulterated food has been brought to the fore by "The Prevention of Food Adulteration Act (PFA), 1954", which applies to domestic and imported food commodities, encompassing food colour and preservatives, pesticide residues, packaging, labelling and regulation of sales.

## **Critical operating rules in Indian FMCG sector**

- Heavy launch costs on new products on launch advertisements, free samples and product promotions.
- Majority of the product classes require very low investment in fixed assets • Existence of contract manufacturing.
- Marketing assumes a significant place in the brand building process • Extensive distribution networks and logistics are key to achieving a high level of penetration in both the urban and rural markets.

## **Growth of FMCG Sector in India**

The Indian FMCG market offers a level playing ground for both domestic and international players. All Indian brands and international brands enjoy higher acceptance in the urban market, the rural market is often dominated by the regional and local producers. The Consumer Market, especially Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is estimated to cross \$20 billion by 2018 and \$100 billion by 2025 (AC Nielsen survey, 2011). Some of the most popular consumer goods including fruit drinks, shampoos and biscuits are among the most bought items in rural and semi-urban India and will continue to be so. It also revealed that growth in the FMCG sector in rural India increased 3.5 times from 2000 to 2010, as compared to 3.2 times in urban India. Incomes in India are likely to grow 3 times over the next two decades and India will become the world's fifth largest consumer market by 2025 (McKinsey Global Institute study, 2007). Market share movements indicate that companies such as Marico Ltd and Nestle India Ltd, with domination in their key categories, have improved their market shares and outperformed peers in the FMCG sector. This has been also aided by the lack of competition in the respective categories. Single product leaders such as Colgate Palmolive India Ltd and Britannia Industries Ltd have also witnessed strength in their respective categories, aided by innovations and strong distribution. Strong players in the economy segment like Godrej Consumer Products Ltd in soaps and Dabur in toothpastes have also posted market share improvement, with revived growth in semi-urban and rural areas. Penetration level and per capita consumption in many product categories is very low compared to world average standards representing the unexploited market potential. Mushrooming Indian population, particularly the middle class and the rural segments, presents the huge untapped opportunity to FMCG players. Growth is also likely to come from consumer 'upgrading' in the matured product categories like processed and packaged food, mouth wash etc. A distinct feature of the FMCG industry is the presence of international players through their subsidiaries (HLL, P&G, Nestle), which ensures innovative product launches in the market from their parent's portfolio. The rural FMCG Market of India is on the verge of registering substantial expansion across the country. The Indian Rural FMCG market is mostly unorganized and it is Generally dominated by small time retailers. The organized FMCG Market is only confined to the urban areas of India. Rural India Mostly depends on agriculture, directly or indirectly for livelihood. Further, almost 68% of Indian population lives in rural India in Around 6, 00,000 villages. Rural India offers tremendous growth Prospects for the FMCG industry. Facilitation of better rural Infrastructure like roads, telecommunication, electricity, supply Chain, and transportation would propel the growth of the Rural FMCG Market of India. The FMCG sector, which offers tremendous Growth prospects are food and beverage sector, health care and Personal care. Presently, rural India accounts for 34% of total FMCG consumption, but it accounts for more than 40% Consumption in major FMCG categories like personal care, hot Beverages, and fabric care.

## **Rural Market in India**

In recent years, rural markets have acquired significance in Countries like China and India, as the overall growth of the Economy has resulted in substantial increase in the purchasing Power of the rural communities. On account of the green Revolution in India, the rural areas are consuming a large quantity Of industrial and urban manufactured products. In this context, a Special marketing strategy, namely, rural marketing has taken Shape. Rural India, mostly termed as “high opportunity” market, is No longer just an opportunity, but is now yielding results. The Concept of Rural Marketing in Indian Economy has always played an influential role in the lives of people. In India, leaving out a few metropolitan cities, all the districts and industrial townships are connected with rural markets.

**Rural Consumer:** The differences between rural and urban consumers always exist in India. The Indian rural customer is marked by illiteracy and poverty. Illiteracy leads to an inability to identify brand differences and read the basic text on packages. Poverty and dependence on vagaries of monsoon result in a low and unpredictable purchasing power. Moreover, products are sold loose, giving high competition to branded sealed products. Ignorance and illiteracy are accompanied by strong influence leaders like the local panchayat members, caste and religious leaders etc. The rural consumers are economically, socially and psychologically different from their urban counterparts and are definitely price-sensitive.

Irregular income, dependency on the vagaries of monsoon induces the rural consumer to buy in small quantities. To address this issue, most FMCG companies have introduced products (such as tea, shampoos, biscuits etc.) in smaller packs and sachets to make the product more affordable for rural consumers and obtain a share of wallet. Small Coke worth Rs 5, Chick shampoo and Meera shampoo sachets has been credited with pioneering the sale of shampoos in sachets at Rs. 1 and Rs. 2, a trend that boosted rural sales. Since rural population does not have the concept of storing goods and blocking too much capital, it is important for rural marketers to provide products in small quantities as well as good credit systems for larger products. It is also important to induce first time purchase and trials so that customer is able to experience products he never has. Credit facility also needs to be extended to the wholesalers.

Rural customers have upgraded their lifestyles and as a result are purchasing lifestyle products like cosmetics, beverages, mobile phones, etc, which have become necessities for them. Urbanization has led to a better life style in the rural areas, which is no longer bound by geographical areas.

## **Challenges Faced by FMCG Sectors for Rural Marketing**

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

**Transportation problems:** Marketing activities require transportation facilities. Due to poor transportation facilities, farmers and marketers find it difficult to reach markets.

Transportation infrastructure is quite poor in rural India. Nearly 80 percentages of villages in the country are not connected by well

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

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

**Media Problems:** Media have lots of problems in rural areas. Television is a good medium to communicate message to the rural people. But due to non-availability of power, as well as television sets, majority of the rural population cannot get the benefits of various media.

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

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

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

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

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

**Cultural Factors:** Culture is a system of shared values, beliefs and perceptions that influence the behavior of consumers. There are different groups based on religion, caste, occupation, income, age, education and politics and each group exerts influence on the behavior of people in villages. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India is still in evolving shape, and the sector poses a variety of challenges. Distribution costs and non-availability of retail outlets are the major problems faced by the marketers. . The unique consumption patterns, tastes, and needs of the rural consumers should be analyzed at the product planning stage so that they match the needs of the rural people. Therefore, marketers need to understand the social dynamics and attitude variations within each village though nationally it follows a consistent pattern and each group exerts influence on the behavior of people in villages. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India is still in evolving shape, and the sector poses a variety of challenges. Distribution costs and non-availability of retail outlets are major problems faced by the marketers. The unique consumption patterns, tastes, and needs of the rural consumers should be analyzed at the product planning stage so that they match the needs of the rural people. Therefore, marketers need to understand the social dynamics and attitude variations within each village though nationally it follows a consistent pattern.

## Factors Accountable For Upcoming Paradigms of Rural Marketing

**Increase in purchasing power and disposable income:** Projects from the private companies and the rural employment initiatives by the Governmental like NREGA (National Rural Employment Guarantee) schemes have given the rural population an opportunity to meet their daily needs. The loan waiver in the agriculture sector and an increasing demand for labor in the urban areas, has given a boost to the income levels in the rural sectors. Consequent lifestyle up grade has added a new spectrum.

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

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

**Reduction of risk during recession:** It has been observed that the companies which cater to both urban and rural markets tackle the recession in a better way. The demand for goods in the urban market often follows a cyclic trend whereas in the rural market it is steady. The companies are bound to tailor the strategies depending on various factors to appeal to the rural market. For example, Hindustan Unilever Limited came out with the concept of “Shakti Ammas” (female social entrepreneurs) which was an innovative way of marketing products. This much needed transition can be weighed according to the 4 A’s model (Availability, Affordability, Acceptability and Awareness).

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

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

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

promotion strategy needs to be adapted to the village environment, the local language and means of communication used. The best places to promote could be the frequently visited local haats and melas, the local festivals. Agricultural cycles require a major consideration too. As rural households form 72% of total households and increasing levels of income coupled with more and more penetration to the rural markets is expected to take rural

FMCG from the current Rs. 87,900crore to a market size of Rs. 1,06,300 crore in 2012.

Moreover, 80% of FMCG categories are growing faster in rural India as against urban India (Nielson, 2011). There is a huge growth potential for all the FMCG companies as the per capita consumption of almost all products in the country is amongst the lowest in the world. Attractive features. For example, eveready came out with Jeevan-Sathi torches, with features like durable design and long life to make it more acceptable. Awareness is linked to the issues of promotion of product in rural areas. The promotion strategy needs to be adapted to the village environment, the local language and means of communication used. The best places to promote could be the frequently visited local haats and melas, the local festivals. Agricultural cycles require a major consideration too. As rural households form 72% of total households and increasing levels of income coupled with more and more penetration to the rural markets is expected to take rural FMCG from the current Rs. 87,900crore to a market size of Rs. 1,06,300 crore in 2012. Moreover, 80% of FMCG categories are growing faster in rural India as against urban India (Nielson, 2011). There is a huge growth potential for all the FMCG companies as the per capita consumption of almost all products in the country is amongst the lowest in the world.

## **MAJOR SEGMENTS OF THE FMCG INDUSTRY:**

### **Household Care:**

The detergents segment is experiencing healthy annual growth rate of 10 to 11 per cent during the past five years. The detergent market is equally dominated by the local and unorganized players which shares decent percentage of the total volume. In urban areas, people give preference to detergents in place of bars. Household care segment is featured by intense competition and high level of penetration. With rapid urbanization and increasing disposable income, introduction of the concept of small packets and sachets, the household care products demand is growing fast. In washing powder segment, HUL is the leader with ~38 per cent of market share. Other leading players are Proctor & Gamble, Nirma and Henkel.

### **Personal Care:**

Personal care segment includes oral care products, skin care products and cosmetics, hair care products, personal wash products etc. The Indian skin care and cosmetics market is very large and valued at \$274 million and is dominated by leading players like HUL, Colgate Palmolive, Godrej Consumer and Gillette India. The Coconut oil segment covers 72 per cent share in the hair oil market. The hair care market can be divided into hair oils, hair colorants & conditioners, shampoos, and hair gels. Marico (with Parachute) and dabur are the leading players in the branded coconut hair oil market. Rural people prefer to buy sachet which makes up to 40 per cent of the total shampoo sale. Again HUL is the dominant player with around ~47 per cent market share; P&G placed at second position with market share of around ~23 per cent. Personal wash can be further categorized into three segments i.e. Premium, Economy and Popular. Here also, HUL is leading the market with market share of ~53 per cent; Godrej stands at second position with market share of ~10 per cent. Increasing disposable income of the Indian consumers, wide channel network of MNCs, growth in rural demand for premium products are the key drivers for pulling the future demand growth up in major FMCG categories the skin care market is at a primary stage in India. With modernization, the life style has changed drastically, consumers have more disposable incomes which give greater product choice and availability of the products give them freedom to purchase. Moreover, people are becoming more alert and aware about personal grooming. The leading player in this segment is Hindustan Unilever with a market share of ~54 percent, CavinKare occupies second position with market share of ~12 per cent and Godrej at third with a market share of ~3 percent. The oral care market can be categorized into various sub-segments with toothpaste -60 percent; toothpowder -23 percent; toothbrushes -17 percent. Colgate-Palmolive is the leader of this segment with market share of ~49 percent, while HUL stands at second position with market share of ~30 percent. In toothpowders market, Colgate and Dabur are the leading players. Food and Beverages: This segment comprises of the food processing industry- packaged foods, health beverage

industry- bread and biscuits, chocolates & confectionery, Packed Mineral Water and ice creams. The three largest consumed categories of packaged foods are packed tea, biscuits and soft drinks. Tea market dominates the Indian hot beverage market. Unorganized players enjoy the major share of tea market. Leading players of organized tea market are HUL and Tata Tea. Major players in food segment are HUL, Amul, Dabur, Nestle, ITC and Godrej.

### **Few positives about FMCG sector:**

- Low operational costs
- Presence of wide distribution networks and channel members in both urban and rural areas
- Participation of well-known branded companies in FMCG sector.
- Favorable governmental Policy: Indian Government has passed the policies aimed at attaining international competitiveness through lifting of the quantitative restrictions, reducing excise duties, 100 per cent export oriented units can be set up by Government approval and use of foreign brand names etc.
- Foreign Direct Investment (FDI): Automatic investment approval up to 100 per cent foreign equity or 100 per cent for NRI and Overseas Corporate Bodies investment is allowed for most of the food processing sector except malted food, Alcoholic beverages and those reserved for small scale industries (SSI).

### **Weak areas of FMCG sector:**

- Lower scope of investing in technology and achieving economies of scale, especially in small sectors
- Low exports levels

### **Future prospects for FMCG sector:**

- Untouched rural market, Untapped opportunities, changing life style.
- Rising income levels and higher disposable income, resulting increase in purchasing power of consumers
- Large domestic market with more population of age group between 20 and 30.
- High expenditure on daily used consumer goods.
- India is the largest milk producer in the world, yet the percentage of processed milk is very low around 15 per cent.
- The organized liquid milk business is in its early stage and also possesses the potential of long-term growth. Even there is huge investment opportunities in value-added products like desserts, puddings etc.
- Only about 10-12 per cent of output is processed and consumed in packaged form, thus highlighting the huge potential
- With booming per capita incomes and growing awareness among rural masses, the growth potential is huge.
- Smaller packs and sachet packing have made the product easy to buy and lower price are also likely to drive potential up.
- Rural demand etc.

### **Threats:**

- Liberal import policies resulting in replacing of domestic brands.
- Government Taxation policies and regulatory structure
- Rural demand is seasonal and depends upon monsoon.

Fast moving consumer goods (FMCG) – or Consumer Packaged Goods (CPG) – are products that are consumed quickly over a shorter period of time. Examples include non-durable goods such as grocery items, soft drinks, dairy products and toiletries. Conditionally, the absolute margins on goods are very low and profit made on FMCG is comparatively low, the products are sold large quantities so the substantial profits are generated. The term FMCG refers to those consumer goods that are sold quickly and at lesser prices. The life of the FMCG is very short and the products are used up over a short period of days, weeks, or months, and within one year. FMCGs have a short period of life, either due to high consumer demand or because the product deteriorates rapidly. Some FMCGs – such as dairy products, fruits and vegetables, meat, etc. are highly perishable in nature and should be used at earliest. Other goods such as soft drinks, alcohol, cleaning products, toiletries and pre-packaged foods, have higher sales volume and high turnover rates.

### **Rural Consumer Behaviour towards FMCG products:**

Earlier, rural consumers made their purchasing of their requirements from nearby towns. However, in recent times, a shift and a swing have been observed in the buying behaviour of the rural consumer who has started buying the products locally. This change in consumer purchase habit has given a ray of hope to the rural marketer. This provides the immense opportunities for employment for the rural masses that can make their association with the FMCG companies and the companies can get the channel partners to promote and enhance their business in rural areas. This producer-retailer chain can ensure the supply of the products at the smaller retail outlets in villages. Studies suggested that advice to the rural consumer by the retailer plays a very important role in making the product known and familiar among rural masses and it reduces the efforts of the companies at creating brand knowledge and positioning the product in rural markets. A promotion campaign educating the benefits of a product or brand along with hardcore distribution efforts can be seen in rural markets in the FMCG category. Customer satisfaction is essentially the highest point of a series of customer experiences or, the net result of the good experiences minus the bad experiences. It occurs when the customer's expectations and their subsequent experiences are matched.

### **Top Players in FMCG sector:**

- Hindustan Lever Limited (HLL)
- ITC (Indian Tobacco company)
- Nestle India
- GCMMF (Amul)
- Dabur India
- Asian Paints (India)
- Cadbury India
- Britannia Industries
- Proctor and Gamble Hygiene & Healthcare
- Marico Industries

### **Secondary Players in FMCG sector:**

- Colgate-Palmolive (India) Ltd.
- Godrej Consumers Product Ltd.
- Nirma Ltd.
- Tata Tea Ltd.
- Parle Agro.

FMCG giants such as ITC, Dabur, Godrej Consumer Products, Britannia, Marico have been making sincere efforts to promote their products in rural areas and for generating awareness among them, they have increased their marketing efforts in rural India and smaller towns with the motive to establish a local distribution networks and increase product visibility in the deep interior parts of rural markets. Godrej has organized 'Rural melas' in order to access potential rural consumers. Major domestic retailers like AV Birla, ITC, Godrej, Reliance and many others have already set up farm linkages. Hariyali Kisan Bazaars (DCM) and Aadhars (Pantaloan-Godrej JV), Choupal Sagars (ITC), Kisan Sansars (Tata), Reliance fresh, Project Shakti (Hindustan Unilever) and Naya Yug Bazaar Have established rural retail hubs. Indicating the immense opportunity which is left untapped. Indian population is mushrooming and it is providing opportunities to multinationals as well as the domestic players to grow. In India, the middle class and the rural segments, presents an opportunity to producers of branded products to convert consumers to branded products and this make-shift from unbranded to branded indicates huge potential to grow in the same industry. Growth is also likely to come from consumer 'upgrading' in the matured product categories. (1)

- Indian FMCG sector is contributing Rs. 2 trillion in the total economy with rural India contributing to a third of revenues.
- As per a study conducted by Booz & Company, FMCG sector is expected to grow in the range of 12% to 17% upto 2020 and could touch a market size between Rs. 4,000 to Rs.6,200 billion by 2020.

- Consumer preferences in rural markets have shown a paradigm shift over the last few years. Their consumption basket looks very similar to that of urban counterparts. Premium products are replacing basic versions and brands are aking their presence felt. Nielsen estimates that the FMCG market in rural India will mark US\$ 100 billion by 2025, from the current level of US\$ 12 billion. Moreover, the Government's efforts to improve the efficiency of welfare programs with cash transfers will further boost rural consumption; it plans to deposit US\$ 570 billion in the accounts of 100 million poor families by 2014.
- The rural FMCG market in India has grown 15% in 2011 (Nielsen Report, 2012). The Indian rural consumer market grew 25% in 2008 and reached US\$ 425 billion in 2010-11 with 720-790 million customers (Quarterly Report, CII- Technopak, 2011). According to FICCI Technopak Report 2009, FMCG industry is projected to grow by 12% and reach a size of US \$ 43 billion by 2013 and US \$ 74 billion by 2018.

During the year under review, the FMCG industry continued on a steady growth trajectory. Riding on continued demand for branded food products, personal care, household care, baby care and OTC products, the Indian FMCG sector crossed the Rs. 2-trillion mark in fiscal 2012-13, as per AC Nielsen. Future growth in the FMCG sector is expected to be driven by:

- Low per capita consumption: Per capita consumption levels in FMCG categories such as skin care, shampoos and toothpastes are much lower in India as compared to other markets and are expected to drive growth in future.
- Favourable demographics: 65% of India's population is below the age of 35 years, making India one of the youngest nations and an important aspect of consumption growth.
- Low penetration levels of consumer products in most categories.
- Shift to branded products from unbranded products: Current level of unorganized market in some of the FMCG categories bodes well for future volume growth of branded products.
- Growth potential in rural markets .

## **The future of FMCG:**

FMCG future has a great potential and is going to become a huge Rs 400,000-crore industry by 2020. A Booz & Company research study reveals the trends that will shape its future. Considering the above research study, the anti-ageing skincare category blossomed five times between period 2007 and 2008. Today, it has become a very lucrative and fastest-growing segment in the skincare market. Procter & Gamble's premium anti-ageing cream Olay, covered 20 per cent of the market within a year of its launch in 2007 and today leads the market with 37 per cent share. Around ten years ago, No one had predicted the ready acceptance for anti-ageing lotions and creams. Similarly, Indian market didn't expect that Indian consumers would take oral hygiene seriously. Indian consumers have become very sensitive when it comes to precautionary measures for the safety of their oral organs. Mouth-rinsing is picking up as a habit among Indian consumers —mouthwash penetration is growing at 35 per cent a year. Even Shampoo category has gained a good momentum in rural areas and it was not predicted. Rural penetration of shampoos increased to 46 per cent last year. Consumption patterns have revolutionized in the last five to ten years. The consumer is trading newer experiences and is trying innovative things every day. He is looking for products with better quality, functionality, price, value for money etc. According to a recent published report by Booz & Company for the Confederation of Indian Industry (CII), called FMCG Roadmap to 2020: The Game Changers points out the key growth drivers for the Indian fast moving consumer goods (FMCG) industry in the past ten years and identifies the big trends and factors that will impact its future. FMCG sector has been booming very fast and has seen robust year-on-year growth of approximately 11 per cent in the last decade, almost tripling in size from Rs 47,000 crore in 2000-01 to Rs 130,000 crore now (it accounts for 2.2 per cent of the country's GDP). In last 5 years, the FMCG sector has seen tremendous growth at almost 17 per cent annually since 2005. It identifies robust GDP growth, increased income in rural areas, opening up of rural markets, growing urbanization along with evolving consumer lifestyles and buying behaviors as the key drivers of this growth. It has been predicted that the FMCG industry is set to see a boom in its annual growth and will grow at least 12 per cent annually to become Rs 400,000 crore in size by 2020. Even we can experience more brighter future if some of the factors play out favorably, say, infrastructure investments pick up, GDP grows a little faster, there is more efficient spending on government subsidy, the government removes bottlenecks such as the goods and services tax (GST) and so on, growth can be significantly higher. It could be as high as 17 per cent, leading to an overall industry size of Rs 620,000 crore by 2020. Abhishek Malhotra (2010) told that the Indian GDP per capita is low but many Indian consumer segments which constitute rather large absolute numbers are either close to or have already reached the tipping point of rapid growth. The FMCG sector is set for rapid growth over the next 10 years, and by 2020, the industry is expected to be bigger in size, more economic, highly responsible and more tuned to its customers. According to the facts based on research on industry evolutions in other markets and discussions with industry experts and practitioners,

Booz & Company has identified some important trends and explored few factors that will change the fortune of the industry in coming next ten years. Some key factors related to evolution of consumer segments are as follows:

**1. Accelerating “premiumisation”:** The rising income of Indian consumers has become a major factor for big multinationals to operate their business in India and rising disposable income has accelerated the trend towards premiumisation or up trading. The upward trend of purchasing of premium products can be observed prominently in the top two income groups—the rich class with annual income exceeding Rs 10 lakhs, and the upper middle class with annual income ranging between Rs 5 lakhs and Rs 10 lakhs. The rich segment are willing to spend their part of income on purchasing of premium products to satisfy their newly developed curiosity to consume, emotional value and exclusive feel, and their behavior is very much similar to consumers in developed economies. They are well-informed and aware about various product options available in the market, and want to spend on buying those products which suit their life-style. The upper middle class have a curiosity to consume premium products and wants to emulate the rich and up-trade towards higher-priced premium quality products which represents the higher status in the society offer greater functional benefits and experience compared to products for mass consumption. While these two income groups account for only 3 per cent of the population, it is estimated that by 2020 their numbers will double to 7 per cent of the total population. The rich will grow to approximately 30 million in 2020, which is more than the total population of Sweden, Norway and Finland put together. Similarly, the upper middle segment will be a population of about 70 million in 2020, which is more than the population of the UK. Over the next ten years, these groups will constitute large enough numbers to merit a dedicated strategy by FMCG companies. Abhishek Malhotra (2010) added that they have seen companies focused on selling primarily to the mid segments. Often, there is no clear segmentation being offered. Players would do well to clearly separate their offerings for the upper and mid segments,<sup>11</sup> and the two should be treated as separate businesses with a dedicated team and strategy for each.

**2. Evolving categories:** Categories are evolving at a brisk pace in the market for the middle and lower-income segments. With their rising disposable income and spending capability, these consumers are shifting from need to want based products. For instance, rural consumers have shifted to toothpastes from toothpowders and are now also demanding mouthwash within the same category. Now in rural areas, consumers have voiced for customized products, specifically tailored and designed according to their individual needs and tastes. The complexities and competitiveness within each category are increasing significantly. Initially shampoo had two variants — normal and anti-dandruff. Now, the companies are marketing anti-dandruff shampoos for short hair, long hair, oily hair, curly hair, and so on. Everything is getting customized. The trend of mass production has shifted to mass-customization of products which will categorize the buyer by age, region, ethnic background, personal attributes and professional choices. Micro-segmentation will amplify the need for highly customized market research so as to capture the specific needs of the consumer segment targeted, before the actual product design phase gets underway. The market of beauty products will expand by 20 per cent per annum as result of the upgrading socio-

economic status of consumers, especially women. Women in middle-class category have become more conscious of their appearance and looks, they are willing to spend more on improving it. Few product categories such as colour cosmetics is growing with a rapid pace nearly by 46 per cent and sun care products is growing at 13 per cent have pushed this trend rapidly.

**3. Value at the bottom:** Bottom of the pyramid is that category of the society which have existence in large numbers but they live their life with scarcity. The bottom-of-the-pyramid or BoP consumers are those who earn less than Rs 2 lakhs per annum per household. The group comprises around 900 to 950 million people. While the middle class segment is largely urban, they have resources and are mostly well-served and competitive, the BoP markets are largely rural, less equipped with resources, poorly-served and uncompetitive. Still, BoP consumers are not able to meet most of their basic needs: Water, Electricity supply, Basic healthcare, financial services, mobile phones & communication etc. And so there is untapped opportunity. Abhishek Malhotra (2010) added that the consumers have aspiration to consume better quality products, and their income level has also improved. The segment was initially being targeted with smaller packs and lower-priced products, say, Rs 2 Parle-G , Re 1 Chick Shampoo, Re 1 Hajmola packets. But increasingly the demand will be high for those products which delivers more value and contains nutrition (vitamins, proteins etc.) and can be served as a meal. PepsiCo and Tata, big multinationals are working on such products. The rural BoP population comprises about 78 percent of the total population. The segment is becoming an important source of consumption by moving beyond the survival mode. As a result of rising incomes, the growth of FMCG market in rural areas at 18 per cent a year has exceeded that of the urban markets at 12 per cent. However, maximum demand for FMCG is generated from urban areas while the rural market generates only 34 per cent demand of the FMCGs, given the current growth rates and increasing trend, its share is expected to rise to 45-50 per cent by 2020. It will require highly customized products at affordable prices with the potential of large volume supplies. Various categories of products such as fruit juices, skin creams and sanitary pads which had minimal demand in the rural markets earlier have suddenly making its mark. While most FMCG players have made their presence in rural areas and successfully making the products available to cater the needs of rural masses, the next agenda of growth is expected to come from increasing category penetration, development of customized products and up-trading rural consumers towards better quality and higher price products.

**4. Increasing Globalisation:** Companies are enjoying the freedom of doing business in India and they are taking it as an opportunity to expand in a big way. Leading MNCs have taken the advantage of operating in the country for years given the liberal policy environment, Tier 2 and 3 global players will see the competition in coming next 10 years. In addition, larger Indian companies are exploiting the opportunities internationally and also have an access to more global brands, globally recognized products and fair operating practices for international standards.

**5. Decentralization:** Despite the complexity of the Indian market (languages, cultures, distances) the market has mainly operated in a homogenous set-up. Increased scale and

spending power will result in more fragmented and tailored business models (products, branding, operating structures).

**6. Growing Modern Trade:** Modern trade share will expand rapidly in coming years and is predicted to account for nearly 30% by 2020. This channel will fulfill the objectives of the existing traditional trade (8 million retail stores which will continue to grow) and ensures distribution through its carry & forward (C&F) model as well as more ways to interact with the consumer.

**7. Focus on Sustainability:** Changes in climatic conditions globally, increasing scarcity of many natural resources (e.g. water, oil) and consumer awareness (e.g. waste) are leading to increased concerns for the environment. Companies are getting pressure due to involvement of various stakeholders for being environmentally responsible – from government (through policy) to consumers (through brand choice) and NGOs (through awareness).

**8. Technology as a Game Changer:** Technology has become more advanced with the economic development. Increased and relevant functionality coupled with lower costs will enable technology deployment to drive significant benefits and allow companies to address the complex business environment. This will be seen both in terms of efficiencies in the back-end processes (e.g. supply chain, sales) as well as the front-end (e.g. consumer marketing).

**9. Favorable Government Policy:** Nowadays government policies have become liberal for companies to operate in India, they have freedom to export outside India and can import the raw-materials and finished products from foreign countries. Liberal government policies have helped in creating a more suitable operating environment. This will be achieved by pushing the demand side upwards through increased income and education and parallel supporting the supply side by removing bottlenecks and encouraging investments in infrastructure. The effect of many of these change drivers –technology, government policy, consumers, and channel partners – will impact the business environment within the country. Winning in this new world will require cementing and enhancing current capabilities and building new ones to bridge gaps. In this new world FMCG companies will have 6 imperatives from a business strategy perspective:

1. Disaggregating the operating model.
2. Winning the talent wars
3. Bringing sustainability into the strategic agenda
4. Re-inventing marketing for consumers
5. Re-engineering supply chains
6. Partnering with modern trade.

Another big trend that has been occurring is the emerging idea of many Indians. It is to be noted that despite having complexities inculture, tradition, language, belief and long distances, companies consider the Indian market as a homogenous market. One product is

used for the entire country — the same Dabur Amla Hair Oil for Rajasthan and West Bengal, or the same Cinthol soap for Punjab and Uttar Pradesh. Besides, same advertisements are shown on television for these products across the country. Now, Major FMCG players have realized the fact that India is no more a homogenous market and the taste, preference, life style of consumers vary significantly. Various researches have predicted that the economic growth of few states in India will exceed the growth rate and total economic size of other countries. For example By 2020, Maharashtra's GDP will exceed that of Greece, Belgium, and Switzerland, and Uttar Pradesh's economic size will exceed that of Singapore and Denmark. We will see companies launching different products for different geographical regions within the same country. Hindustan Unilever launched teas which has a completely different taste in 2 different states. Pepsi has a different product in Andhra Pradesh which is not sold anywhere else. Earlier, companies used differentiation strategy at the country level; now they are using it at the state level. FMCG players are adopting regional approach and they have to grow "regional" in their thinking and move towards an increasingly decentralized operating model in India. As consumer tastes and preferences differ across states, companies can adopt a regional strategy in terms of product ingredients, channel of distribution, positioning, promotion and marketing campaign. Overall, regionalization or decentralization will be used as an important tool for FMCG players for covering deep interiors of rural area. MNC presence across the entire value chain has made the FMCG industry more competitive and strong in terms of brand building. It has been predicted that the FMCG market will touch the figures of US\$ 33.4 billion in 2015 from US \$ 11.6 billion in 2003. FMCG companies are targeting the middle class and the rural segments of the Indian population as they consider them to be the promising market for developing their business, and give producers the opportunity to convert them to branded products. Most of the FMCG categories like chywanprash, jams, toothpaste, hair colors, skin care etc, in India, have low penetration level as well as low per capita consumption, but the potential for growth is huge. The big firms are getting the momentum and are growing bigger while small-time companies are catching up the speed to grow as well.

## **Brief History and Milestones**

1896- First production unit established at Garhia

1919- First R&D unit establishGarhi

1936- Dabur (Dr. .K Burman) Pvt. Ltd. Incorporated

1940- Personal Care through Ayurveda with the launch of Dabur Amla Hair Oil, which became the largest selling hair oil Brand in India.

1949- Launch of Dabur Chyawanprash, the first branded Chyawanprash in India.

1970- Entry into oral care & Digestives segment- Introduction of Lal Dant Manjan.

1988- Launches Pharmaceuticals medicines

1994- Comes out with first public issue. Enters oncology segment.

1996- Enters food business with the launch of Real Fruit juice, a new concept in the Indian Food market. The first local brand of 100% pure natural fruit juices made to international standards, real becomes the fastest growing and largest selling brand in the country.

1998- Burman family hands over management of the company to professionals.

2000- Dabur establishes its market leadership status by staging a turnover of Rs 1,000 crores.

2003- Dabur demerges Pharmaceutical business. Dabur India now largely comprises of the FMCG business that includes personal care products, healthcare products, Ayurvedic specialties, while Pharmaceuticals business would include Allopathic, Oncology formulations and Bulk drugs.

2005- Acquisition of Balsara's Hygiene and Home products businesses, a leading provider of Oral care and Home care products in the Indian Market, in an Rs 143-crore all-cash deal.

2006- Dabur crosses \$2 billion market cap, adopts US GAAP.

2007- Real completes 10 years.

2010- Acquisition of cosmetic maker Fem care Pharma Ltd.

2011- Acquisition of Kozmetik Group, a Turkish personal care products company.

2012- Dabur surpassed Rs. 50 billion turnover. (4)

## **Rural Marketing Initiatives:**

- Promotes contract or corporate farming e.g GHORBOTCH, BRAHMI CHIRAITA & PIPLI.
- Chemicals free baby products.
- Beauty pageant shows in rural areas.
- Dabur Gulabari Miss Fresh face of UP 2009' - The hunt Covered nine major cities viz Kanpur, Lucknow, Meerut, Ghaziabad, Gorakhpur, Agra, Noida, Allahabad and Varanasi.
- Reality shows
- Tie up with IOC
- IOC's 1000 retail outlets across the country will stock a Range of Dabur's Ayurvedic products.
- Project GARUDA – to avoid shortages in rural areas.
- Project Double.

### **Promotional Initiatives in rural areas:**

- Radio
- TV ads
- Newspapers
- POP display
- Wall paintings & Hoardings
- Contest in MELAS and HAATS
- Video Vans
- Sales promotion techniques
- Word of Mouth

### **Promotional tools used by GCPL:**

- Events
- Advertising
- Billboard
- Hoarding
- Wall Painting
- Electronic media
- Print media
- Sales Promotion
- Relied heavily on the mass advertising like on the TV, radio & newspaper.
- Conducted the events in which the rural people have the interest .Some of the events are Navratna, Yaara Nachle ,Gold awards in Mauritius etc.

### **Promotional strategy used by GCPL:**

- Godrej Consumer Product Ltd. has roped in Mona singh of Jassi Jasissi koi nahi to be the brand ambassador.
- “All that Glitters is not gold , All soaps are not Grade 1 soaps.”

- Campaign educates people the advantages of using grade 1 quality soaps that produce more lather, last longer and thus is a great value for money proposition.
- Godrej soaps and Jassi both stand for the Sachchi prakritik sundarta proposition.

Thus, this study is mainly to assist manufacturing the environment in which rural market operates, the inherent problems associated with it and also the strategies which can be successfully adopted for taking the benefits of emerging opportunities.

## **Conclusions:**

Hence it can be concluded that if the Indian organizations want to reach out to the rural India in an efficient and more effective manner, they have to re-strategize their policies and should consider rural perceptions, values and traditions. It has to immerse itself in rural colours, customs, traditions and modes of communication so that they can satisfy the needs and desires of rural society. The companies has to gain the popularity among rural masses and the trust of the masses by weakening its own excessive dependency on western styles of advertising on one hand and on its use of deceptive and manipulative claims on the other, so that it can bring about the desired behavioural changes. All the different aspects of rural marketing were studied for this study. Their rural marketing strategies including pricing,promotional strategies and channel of distribution were studied in the rural regions.

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