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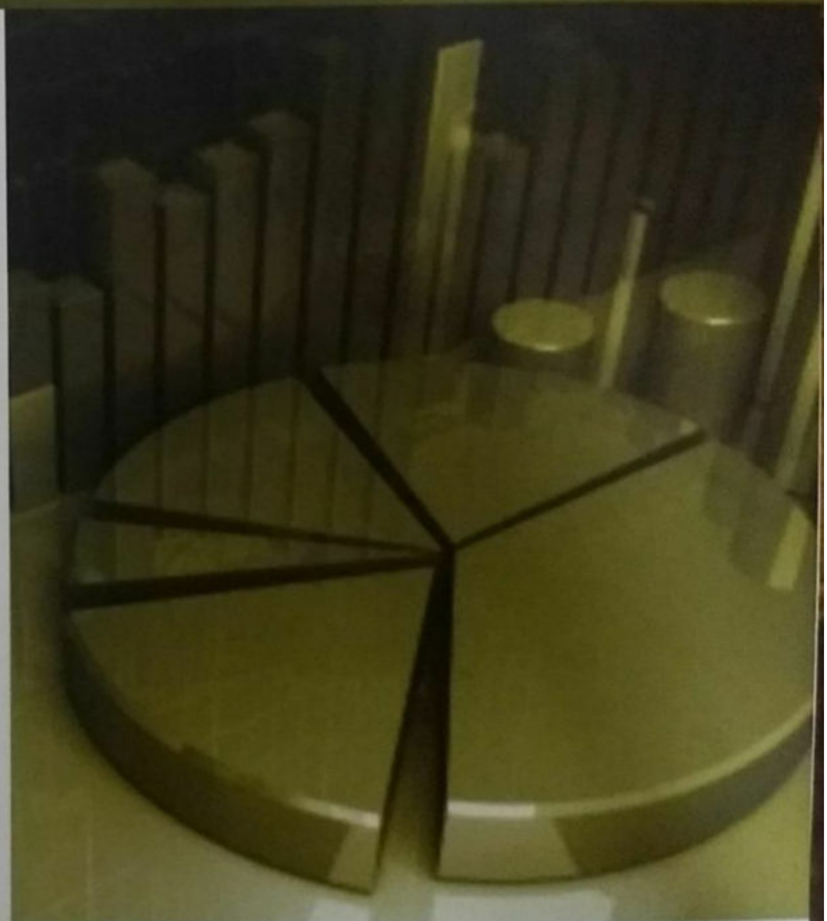

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Marketing Challenges of FMCG In Indian Rural Market: A Study on Packaged Spice Products

Arunima K. V. and Jitthu James

Abstract

The rural market is where the markets of the future are likely to be, as they offer immense growth opportunities. With the advent of various technologies, the communication is fast and rural consumers get to know about the various products and brands in the way well understood by them. Therefore, marketers will have to understand the rural customers before they can make inroads into the rural markets. Inspite of opportunities, there also exist certain challenges pertaining to Awareness, Availability, Affordability and Acceptability(4A's) of products. Thus, looking at the challenges and the opportunities, which rural markets offer to the marketers, it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage. This study seeks to find out the challenges faced in rural market while marketing FMCG and also analyses what are the expectations put forward by a customer towards a spice products. The data is collected through a questionnaire survey from selected rural customers of two districts of Kerala, Ernakulam and Kottayam. Statistical tests used in this analysis include ANOVA, Regression and Independent sample T Test. Findings help in understanding the challenges of 4A's of rural market while marketing spices and curry powders in the rural areas and also identify the customer preference towards aspects of quality , price and features of spice products.

Keywords: *Rural market, Awareness, Availability, Affordability, Acceptability, FMCG*

Introduction

The rural India offers a huge market potential. Nearly two-thirds of all middle-income households in the country reside in rural India and close to half of India's total buying potential lies in its villages. Thus for the country's marketers, rural reach is on the rise and is fast becoming their most important route to growth. Realizing this, Corporate India is now investing a sizeable portion of its marketing budget to target the rural consumers. One major sector that identifies this huge potential is the Fast Moving Consumer Goods (FMCG) as the urban market has almost reached saturation and the growth rate is less when compared to rural market. Moreover the disposable income in rural market has also increased and the people in rural are more exposed to communication channels and media and hence the scope for promotion of products have become much easier.

The FMCG sector has always been the cornerstone of the Indian economy. Generally, FMCG refers to consumer non-durable goods required for frequent and daily use. The sector touches every aspect of human life. Although, the sector has been in existence for quite a long time now, it is yet to materialize in terms of definition and market size, among others. Post-reforms, the FMCG industry's growth has been hinging around the rural population which has witnessed considerable rise in disposable incomes. Consequently, the rural markets have also been witnessing strong competition in almost all the consumer product categories. This has led to the industry players striving for greater rural penetration as a future growth vehicle, the area which accounts for almost 70% of the total Indian households.

Although FMCG sector include categories like personal care, fabric care, household products etc, this study focus on the food products segment. The study seeks to find out the challenges faced in rural market while marketing FMCG and also analyses what are the expectations put forward by a customer towards packaged spice products category. The rural people had been conventionally following a custom of using homemade spice powders for domestic purpose and recently there is a shift in this behaviour, as many of them started accepting and purchasing packaged spice powders from retailers. These have paved way to a huge potential for packaged spice products in rural market, and hence this study is very significant. The data is collected through a questionnaire survey from selected rural customers of two districts of Kerala, Ernakulam and Kottayam.

Literature Review

Rural Marketing of FMCG

Rural marketing includes all those activities of assessing, stimulating and converting the rural purchasing power into an effective demand for specific products (Velayudhan, 2002).).Rural marketing is any marketing activity in which one dominant participant, either buyer or seller is from rural area. Rural marketing mix comprise of 4As viz , Awareness, Accessibility(availability), Affordability and Acceptability(Kotler,et al, 2009).

Awareness: India in heterogeneous not only in terms of social have had custom or life styled but also in terms of languages. India has two national languages viz, English and Hindi. However, it covers 47 languages, which are used in primary education. Out of which 13 used in the films. No of languages used in radio are 73, which are highest in the world. Definitely, it is very important and complex problem for the marketer to determine medium of language or integrated communication.(Majumdar, Bhavnagar, 2013)Therefore creating awareness through communication media is a challenge . A great change has come with the penetration of TV channels in the rural areas which indeed is an opportunity to create awareness among rural consumers

Accessibility: Rural India is very vast and scattered also. It ultimately raises the cost of distribution as well as cost of product also, the rural India consist of more than 628000 villages. Rural consumers basically depend upon the rural retailers for purchase.Deep distribution and sub distribution requires proper warehousing, logistic facilities, and transpiration infrastructure. Distribution channel management is the most challenging task for marketers in rural India. Accessibility in terms of the availability of variety of product is also a major problem.(Majumdar, Bhavnagar, 2013)

Affordability:The income earned in rural market are from different ways, so marketers should design the product accordingly(Vikram R, 2010) This does not mean that the product should be provided at very cheap purchase, but the consumers should feel that the value of the product is worth purchasing.

Acceptability: There is a great need to offer products and services that suit the rural consumers in order to obtain their acceptability. It is not just value for money, but also value add-ons for attract the rural people and help in gaining their acceptability for the products. Therefore, imaginative ideas and dedicated efforts of corporate house are fast transforming the rural landscape into big consumer markets.(Shah, Chetan,2013)

The rural market potential is not just for agri-products but also for modern goods and services(Khosla, Ashok, 2000). Factors contributing to growth of rural markets are penetration of media, rising aspiration of people and packaging revolution(Bijapurkar, Rama 2000).Rural marketing strategy of FMCG includes product variants , product categories, price, pakage size and widespread distribution network(Kumar and Madhavi, 2006).Most of Indian rural market are now opening for the packaged goods (Habeeb-Ur-Rahman, 2007). The key factors that influence rural purchase of FMCG are packaging(Pandey, 2005), brand name(Sahoo and Panda 1995;Narang , 2001; Bishnoi&Bharathi, 2007), price(Sarangpani &Mamatha, 2008) and promotions(Bhatt &jaiswal, 1986). Retailers are the key influencers in rural purchase(Ying Zhu, 1994). Vaswami , et al, 2005 has explained the rural buyer-seller matrix and this study basically focus on the Urban seller- Rural buyer mix(US-RB). The overall marketing mix framework in rural markets necessarily focuses around delivering the right product, using value for money pricing, using effective means of promotion, selecting the most appropriate method of distribution and building long-term relationships with the customers.(Pallavi, 2011)

Indian Rural market

According to the PwC-FICCI report Winds of change, 2013: the wellness consumer, nutrition foods, beverages and supplements comprise a INR 145 billion to 150 billion market in India is growing at a CAGR of 10 to 12%. According to National Council of Applied Economic Research (NCAER), rural households form 71.7% of the total households in the India. Spending in this segment is growing at a fast pace and consumption patterns are closing in on those of urban Indian market.

Objectives of the Study

1. To analyse the awareness, accessibility, affordability and acceptability(4A's) of rural consumers on packaged spice products
2. To identify the challenges of marketers based on 4 As.

Methodology

The study is descriptive in nature and the data is collected from rural consumers through a questionnaire survey.The sample unit include the rural people of two districts of Kerala State namely Kottayam and Ernakulam.The sampling technique is snowball sampling as the respondents are selected based on the references of rural retailers.These respondents were the consumers of packaged food products as they are more relevant for the study.

The questionnaire included questions on the demographic and geographic profile of the customers apart from ordinal scale questions on awareness, accessibility, affordability and acceptability of packaged spice products.

The reliability of the questionnaire is tested from a sample of 27 respondents and the Cronbach alpha value is .730 which indicates that the questionnaire is 73% reliable.The test of normality indicates a Q-Q plot showing that the data is normally distributed. Hence parametric tests are used to test the hypotheses relevant for the study.

Data Analysis and Interpretation

The data is collected from 170 rural consumers, out of which 141 responses were found to be relevant and error free and therefore is considered as the final sample. The basic information such as gender, age, income groups and educations levels of the respondents are assessed to get the demographic profile of rural consumers and subsequently their responses on the level of awareness, affordability, accessibility(availability of the product) and acceptability are also assessed. The rural consumers profile is given in table 1.

Table 1. Demographic Profile of Rural consumers

	Group	*Percentage*
GENDER	male	33.3
	female	66.7
AGE GROUP	<25	0.7
	25-35	46.8
	36-45	37.6
	46-55	11.3
	56-65	3.5
EDUCATION	High School	7.1
	10th	26.2
	Pre Degree	35.5
	Graduates	26.2
	PG	5
INCOME LEVEL	<50000	27.7
	50000-100000	56
	100000-150000	12.1
	150000-200000	4.3

33.3% of the respondents are rural males and and 66.7% are rural females.Majority of the rural consumers of packaged spice products belong to an age group of 25-35.Considering the education level , Kerala being a state of highest literacy level and fair education , majority of the rural consumers are educated. 35.5% of them have a qualification of atleat Pre-Degree and 26.2% are graduates.Majority of the rural people fall under the income level of 50000-100000 p.a.(56%).

The data is collected from the remote villages of Kottayam and Ernakulam districts of Kerala state and the response level is shown in table 2.

Table 2. Geographic Profile

Districts	*Percentage of Respondents*
Kottayam(Rural)	46.1
Ernakulam(Rural)	53.9

46.1% of the respondents were from rural areas of Kottayam District and 53.9 respondents were from the rural areas of Ernakulam district.

As the respondents were identified from the consumer base of rural retailers, 140 responents were those consumers who preferred packaged spice products over home made spices.The preference of different brands of packaged spice products by rural consumers are explained in the Chart 1.

Most preferred brand of spice product among the rural consumers is Eastern(45%) and then Nirapara(36%). Other popular brands include Kaula, Melam, Brahmins and Double Horse.

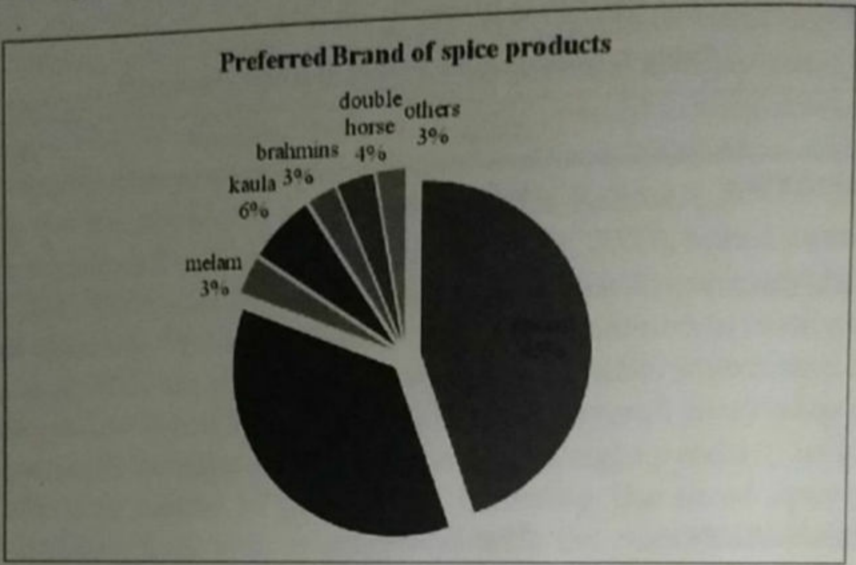

Chart1.Preferred Brands of packaged spice products

Analysis on 4A's

Awareness is considered to be a prime variable in marketing a product in rural market and the basic awareness on Packaged Spice Products are fair in rural areas and this can be considered as a favourable information for the marketers.15.6% of the rural consumers say that their awareness level on packaged food products is low , while 43.3% say that they are fairly aware and 39.7 %agree that their awareness level is good.

It is assumed that the product awareness would result in brand recognition and recall generated in the minds of customers by media through advertisements and other promotions therefore becomes effective. This assumption is tested (table 3) using the following hypothesis:

Ho: The product awareness of consumers would not lead to brand recognition

H1: The product awareness of consumers would lead to brand recognition

Table 3. Regression analysis

Coefficientsa

Model		*Unstandardized Coefficients* B	*Std. Error*	*Standardized Coefficients* *Beta*	*t*	*Sig.*
1	(Constant)	1.635	.143		11.416	.000
	Product awareness	.561	.060	.621	9.345	.000

a. Dependent Variable: brand recognition

The hypothesis is tested using a linear regression analysis(5% significance level) and it is found that the sig value (P value)<0.05 and therefore the null hypothesis is rejected.It is clear from the analysis that product awareness significantly lead to brand recognition.

Accessibility(Availability of the product)is also very important in the rural market as mere awareness wont lead to a purchase. The products need to effectively distributed in the rural market so that they are available in the rural retail outlets as the rural consumers always prefer to buy from them. 5% of the respondents say that the packaged spice products are not all available in their area while 44.7 % responded that their preferred brands are mostly available and 27% said that they are always available in the retail shops.This shows that the distribution network is comparatively good which is indeed a challenge for new entrants.

As the study was conducted in the rural areas of two districts namely Kottayam and Ernakulam, it was important to see if there is any significant difference in the availability packaged spice products in these two districts. Hence the following hypothesis was formulated:

Ho: There is no significant difference in the availability of packaged spice products in two districts

H1: There is a significant difference in the availability of packaged spice products in two districts

Hypothesis is tested using an independent sample t-test.

The data was normally distributed and hence this test was used. But Levene tests shows that the variance homogeneity is violated . The sig value(p value) .745>.05 and therefore the null hypothesis is accepted. There is no significant difference in the availability of packaged spice products in two districts

Table 4: Independent Samples Test

		Levene's Test for Equality of Variances		*t-test for Equality of Means*						
		F	*Sig.*	*t*	*df*	*Sig. (2-tailed)*	*Mean Diff*	*Std. Error Diff*	*95% Confidence Interval of the Difference Lower*	*Upper*
Product availability	Equal variances assumed	10.589	.001	-.332	139	.740	-.06194	.18655	-.43079	.30690
	Equal variances not assumed			-.327	122.728	.745	-.06194	.18966	-.43738	.31349

Even if the consumers are aware of the products and they are available in the retai stores, these would result in purchase only if the products are affordable for the customers. The rural income being comparatively less than Urban disposable income, Affordability is very important for rural consumers. In this study , 2.1 % of the respondents says that the price of packaged spice products are low,31.2% says that the price is fair and affordable.On the other hand 65.2% of respondents say that the price is high and 1.4% says it is very high and unaffordable.

An analysis of variance is done to test if there is any difference in the perception of price of branded spices among the various income groups. The hypothesis is stated as follows:

Ho: There is no significant difference in the perception of price of branded spices among the various income groups

H1: There is a significant difference in the perception of price of branded spices among the various income groups

Table 5.Analysis of Variance

ANOVA

BRAND_PRICE

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.436	3	.479	1.630	.185
Within Groups	40.224	137	.294		
Total	41.660	140			

As the sig value(p value) >.05 the null hypothesis is accepted.Therefore it is clear that there is no significant difference in the perception of price of branded spices among the various income groups.

Acceptability of a product is another important aspect and a key challenge for the marketers as this factor results in future continued purchase of a product. This aspect is more challenging for packaged spice products in rural areas as the shift from home made spices to packaged spices is quite recent and the consumers are slowly getting accepted to them. The basic parameters with regard to acceptability of packaged spice products are Quality, Taste/ aroma, Price and Packaging. Therefore a feedback from rural consumers on how much importance they give to these parameters for product acceptability , is taken and measured.

Accordingly , Quality was found to be considered as the most important parameter. 33.9% said that it is highly important, 43.3% reported it of high importance and 23.4% said it is moderately important. Not even a single respondent mentioned lesser importance for quality as an acceptability parameter.On the other hand Packaging was not considered as a parameter of acceptability of high importance. 53.2% said that it is moderately important and 31.2% said that it is less important and the rest responded it to be least important in terms of acceptability.

With regard to Price and Taste/Aroma aspects the opinion varied from low to high in terms of importance.75% of the respondents said that price is moderately important in case of acceptability of a spice products and 35.5% said that its importance is high.Others considered its importance lesser.Compared to price the concern for Taste/Aroma factor is a bit high as 40.4% of the consumers said that its importance is high with regard to acceptability in case of spice products 55.3% said its moderate and the rest considered it less important.

The feedback of different income groups on acceptability parameters was tested (table 6) using the hypothesis:

Ho: There no significant difference in the perception of importance of acceptability parameters of spice products among different income groups

H1: There is a significant difference in the perception of importance of acceptability parameters of spice products among different income groups

Table 6.

ANOVA on Acceptability parameters(Importance)

		Sum of Squares	df	Mean Square	F	Sig.
Acceptability based on quality	Between Groups	3.434	3	1.145	2.086	.105
	Within Groups	75.176	137	.549		
	Total	78.610	140			
Acceptability based on Taste/Aroma	Between Groups	1.219	3	.406	1.284	.282
	Within Groups	43.335	137	.316		
	Total	44.553	140			
Acceptability based on Price	Between Groups	7.741	3	2.580	4.563	.004
	Within Groups	77.465	137	.565		
	Total	85.206	140			
Acceptability based on packaging	Between Groups	4.612	3	1.537	2.907	.037
	Within Groups	72.466	137	.529		
	Total	77.078	140			

It is clear from the table 6, that the sig value (p value) for parameters such as Quality and Taste/ Aroma are .105 and .282 respectively and they are >.05. Therefore the null hypothesis will be accepted for these two parameters. That means there no significant difference in the perception of importance of acceptability parameters such as quality and taste of spice products among different income groups. Everyone irrespective of income consider them to be important in the matter of product acceptability.

On the other hand, the sig value(p value) for parameters such as Price and Packaging are .004 and .037 respectively and they are < 0.05. Therefore the null hypothesis will be rejected for these two parameters. That means there is a significant difference in the perception of importance of acceptability parameters such as Price and Packaging of spice products among different income groups.

Findings

Majority of the rural consumers who purchase packaged spice products are females and it could be because the house hold cooking are mostly managed by them. The consumers are educated and well aware of all the leading brands of Packaged Spice Products and they prefer them than home made spices.In Kerala and the popular brands are "Eastern" and "Nirapara".

The awareness is high with regard to the products and the influence of media has resulted in good brand recognition and brand call in the case of packaged spice products.This awareness is irrespective of gender and even location , which clearly shows the impact of communication channels in rural areas.The marketers need to focus more on advertisements in order to penetrate into the rural market

Considering the availability aspect majority of the rural consumers are clearly able to identify the availability of their favourite brands in the nearby retail shops.It is evident that they purely rely on these rural retail shops for purchase and retailers are powerful influencers. Therefore it is a challenge for rural marketers to develop an effective distribution network and also build a stronger retailer relationship.

Limitations of the Study

The sample of the study include the consumers of packaged food products identified through retailers as their feedback is more elevant than non buyers.The data is cross sectional in nature as it is simultaneously collected in a period of time and is also limited to the rural areas of two districts. Some of the parameters considered in the study such as quality, taste etc are purely subjective in nature which cannot be effectively measured.

Conclusions

Although the communication infrastructure and increased disposable income has created immense opportunities in rural market especially for life products like FMCG, there still exists certain challenges for the marketers in terms of creating awareness, accessibility , affordability and acceptability of products. These challenges are still higher for food products category like packaged spice products as there are many players in the market and the rural consumers are highly quality conscious in this case.Inspite of having issues of affordability, as majority of them say that price is high, it is important to make sure that the products are available in the retail stores and its quality is worth purchasing. If not there could be a tendency to switch back to their traditional home made spice powders, which had been a tradition in rural areas for years.

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