

A Study on Buying Behavior of Rural Consumers (With Special Reference to FMCG Industry)

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Abstract

The rural consumers of India have seen dramatic changes in past few years, in context of their lifestyle, and it is still in a state of a flux, further changing. The Indian rural market has a huge demand base and offers great opportunities to the marketers and the rural market is zooming ahead at around 25% annually. Marketers are looking the aspiring rural and semi-urban areas of India to generate growth opportunities. In recent years, many corporate companies have been trying hard to develop a market for their products in the rural areas, investing extensively in these areas. All the fast moving consumer goods' companies like Hindustan Unilever, Pepsi, Coca cola, Britannia, Colgate, Palmolive, Procter & Gamble etc. are concentrating their marketing activities in rural markets. But they cannot just rely on the basic marketing strategies for rural markets; they have to devise rural specific strategies to attract the rural customers for purchasing their products, because there are certain differences in urban and rural buyer's characteristics. The rural market is more price sensitive than the urban and the decision making process of the rural consumers are influenced by various internal, external, individual and environmental variables. It is important for a marketer to understand all these variables so as to frame suitable marketing strategies.

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In this paper effort has been made to analyze buying behavior of rural masses, which is influenced by a host of diverse factors. The paper envisages the mindset, requirements and various determinants influencing buying behavior of rural consumer for Fast Moving Consumer Goods.

Key words: Buying behavior, Fast moving consumer goods, Rural consumer, Marketing strategies.

Introduction

Rural India is a powerhouse enhancing the overall economic growth of the country. It is home of the two-thirds of population of the nation and the place from where half of the national income of India is generated. All the fast moving consumer goods' companies like Hindustan Unilever, Pepsi, Coca cola, Britannia, Colgate, Palmolive, Procter & Gamble etc. are concentrating their marketing activities in rural markets. And the reason is the socio-economic changes and huge market of around 100 million households. Rural consumer has become enough aware about his needs and up gradation of his standard of living. Hence, marketers are focusing towards these rural consumers for attaining their revenue targets. But marketing products and services in rural markets is completely different from the urban markets. Because the requirements, mindset, customs, and the whole of thinking process of rural consumers is different from those of urban consumers. The promotional strategies of rural markets are altogether different from urban markets. The rural market is more price sensitive than the urban.

The Indian rural market has a huge demand base and offers great opportunities to the marketers and the rural market is zooming ahead at around 25% annually. This has led to the change in the mindset of the marketers to move to the rural market of India. There are certain elements defining the Indian rural market. They are as follows:

- Rural markets are large and scattered markets. According to 2001 census, 70% of Indian population resides in villages, and this rural population is spread in over 6 lakh villages.
- Purchasing power of rural consumers is on a rise, and marketers have realized this potential and thus they are spreading their operations in rural markets.
- There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.
- The rural consumer values old customs and traditions. Slowly and gradually, the rural population is changing their demand pattern and is looking towards the branded products.
- The marketing-mix strategies are to be designed according to the needs of rural consumers, because their demand pattern is different from urban markets.

Rural market is growing faster than urban, and rural marketing results into overall balanced economic and social development. Rural marketing turns beneficial to business units, people residing in rural areas, people residing in urban areas, and to the entire nation. It involves addressing over 700 million potential consumers and over 40 per cent of the Indian middle income. Rural markets are a vital source of growth for most companies. For a number of fast moving consumer goods' companies in the country, more than half of their annual sales come from the rural market.

Rural markets in India have untapped potential. There are several difficulties confronting the effort to fully explore the rural markets. The concept of rural markets in India is still in evolving shape, and the sector pages a variety of challenges like, under developed people and underdeveloped markets, lack of power physical communication facilities, in adequate media coverage for rural-communication, many languages and dialects, low income levels & literacy level, vast cultural diversity and poor infrastructure.

Many successful brands have shown high note of failure in the rural markets because the marketers try to extend marketing plans that they use in urban areas. The unique consumption pattern, tastes, and need of the rural consumers should be analyzed at the product planning stage so that they match the needs of the rural people.

Objectives of the Study:

In the present study of buying behavior of rural consumers for fast moving consumer goods, the main objectives are:

- To study the impact of marketing mix strategies in influencing buying behavior of rural consumers.
- To analyze various advertising media in rural market.
- To identify factors influencing preferences of rural consumers.
- To identify the impact of marketing policies of fast moving consumer goods in rural market.

Hypothesis of the Study:

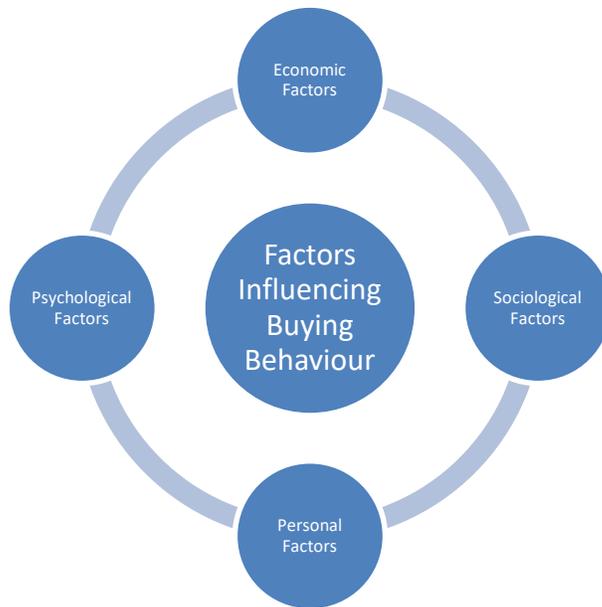
Ho- There is no significant impact of marketing mix strategies in influencing buying behavior of rural consumers.

Research Methodology:

The paper focuses on the buying behavior of the rural consumer for Fast Moving Consumer Goods. This study is descriptive and empirical in nature. For this research the primary data is collected through questionnaires. Sample unit consisted of rural population living in the villages of Rajasthan, buyers as well as consumers of FMCG. Sample size of the study is 100 rural consumers. The respondents are selected on the basis of convenient random sampling. And secondary data is collected from various valid sources such as websites of FMCG companies, books and articles of rural marketing, reports and internet, etc.

Factors Influencing Buying Behavior of Rural Consumers:

Consumer buying behavior determines how the consumers decide to buy a product and the various factors responsible for this decision. The central focus of marketing is the consumer. To devise good marketing plans, it is necessary to examine consumer behavioral attributes and needs, lifestyles, and purchase processes and then make proper marketing-mix decisions. The decision making process of the consumers are influenced by various internal, external, individual and environmental variables. It is important for a marketer to understand all these variables so as to frame suitable marketing strategies. There are basically four main factors influencing buying behavior of rural consumers for fast moving consumer goods.



1.) **Economic Factors:** Rural consumer's buying behavior is influenced largely by economic factors. These factors include:

- **Personal income:** The personal income of a person is determinant of his buying behavior. Personal income refers to an individual's total earnings from wages, investment enterprises, and other ventures. It is the sum of all the incomes actually received by all the individuals or household during a given period.
- **Family income:** Family income refers to the aggregate income of all the members of a family. It influences the buying behavior of rural consumers for the FMCG.
- **Savings:** Savings also influence the buying behavior of an individual. A change in the amount of savings leads to a change in the expenditure of an individual in rural markets.
- **Liquid Assets of the Consumer:** Liquid assets refer to those assets, which can be converted into cash quickly without any loss. Liquid assets include cash in hand, bank balance, marketable securities etc. This is another important factor which influences the buying behavior of rural consumers.

2.) **Sociological Factors:** Sociological factors play a crucial role when it comes to understanding the needs and behavior of an individual. Throughout his existence, an individual will be influenced by his family, his friends, his cultural environment or society that will teach him values, preferences as well as common behaviors to their own culture. People always seek confirmation from the people around them and seldom do things that are not socially acceptable. These factors include:

- **Family:** There are two types of families in the buyer's life viz. nuclear family and Joint family. Nuclear family is that where the family size is small and individuals have higher liberty to take decisions whereas in joint families, the family size is large and group decision-making gets more preference than individual. Family members can strongly influence the buyer behavior, particularly in the Indian rural context.

- **Reference Group:** A reference group is a group of people with whom an individual associates. It is a group of people who strongly influence a person's attitudes values and behavior directly or indirectly.
- **Roles & Status:** An individual plays different roles in many groups like family, clubs, and organizations. The person's position in each group can be defined in term of role and status. A role consists of the activities that a person is expected to perform. Each role carries a status. People choose products that communicate their role and status in society. Marketers must be aware of the status symbol potential of products and brands especially in case of rural market.
- **Culture:** Culture is the most fundamental determinant of a person's want and behavior. In rural markets, culture plays a vital role. Culture influences considerably the pattern of consumption and the pattern of decision-making. Marketers have to explore the cultural forces and have to frame marketing strategies for each category of culture separately to push up the sales of their products or services.
- **Social Class:** Consumer behavior is determined by the social class to which they belong. The classification of socioeconomic groups is known as Socio-Economic Classification (SEC). Social class is not determined by a single factor, such as income but it is measured as a combination of various factors, such as income, occupation, education, authority, power, property, ownership, life styles, consumption, pattern etc. There are basically three different social classes in rural market of India. They are upper class, middle class and lower class, and all these social classes have different buying behaviors.

3.) **Personal Factors:** The buying behavior even varies due to different personal factors. These personal factors play a vital role in deciding the purchase process of rural consumers; hence the marketer has to consider these personal factors too. They include:

- **Age:** Age of a person is one of the important personal factors influencing buyer behavior. People buy different products at their different stages of cycle. Their taste, preference, etc. also change with change in life cycle.
- **Occupation:** Occupation or profession of a person influences his buying behavior. The life styles and buying considerations and decisions differ widely according to the nature of the occupation. When talk about rural market, generally the occupation of the consumers is agriculture, so the marketers need to plan their strategies accordingly.
- **Income:** Income level of people is another factor which can exert influence in shaping the consumption pattern. Income is an important source of purchasing power. So, buying pattern of people differs with different levels of income.
- **Lifestyle:** Another important determinant influencing buying behavior of rural consumers is their lifestyle. Marketers have to design different marketing strategies to suit the lifestyle of rural consumers.

4.) **Psychological Factors:** Among various factors influencing the buying behavior of rural consumers, there are certain psychological factors also. These factors include:

- **Motivation:** Motivation drives consumer to develop a purchasing behavior. It is the expression of a need is which became pressing enough to lead the consumer to want to satisfy it.
- **Perception:** Perception is the process through which an individual selects, organizes and interprets the information he receives in order to do something that makes sense. The perception of a situation at a given time may decide if and how the person will act. Depending to his experiences, beliefs and personal characteristics, an individual will have a different perception from another. So the marketers need to understand these perceptions very well.
- **Beliefs & Attitudes:** In rural markets, the buying behavior of consumers is very much influenced by the beliefs, customs and the attitude of the people. A belief is a conviction that an individual has on something. Through the experience he acquires, his learning and his external influences, he will develop beliefs that will influence his buying behavior. While an attitude can be defined as a feeling, an assessment of an object or idea, to act in a certain way toward that object. So the marketers have to pay attention towards these beliefs and attitudes of rural consumers.

On the basis of above description:

Factors Influencing Buying Behavior of Rural Consumers	
Economic Factors	<ul style="list-style-type: none">• Personal Income• Family Income• Savings• Liquid Assets of the Consumer
Personal Factors	<ul style="list-style-type: none">• Age• Occupation• Income• Lifestyle
Sociological Factors	<ul style="list-style-type: none">• Family• Reference Group• Culture• Roles & Status• Social Class
Psychological Factors	<ul style="list-style-type: none">• Motivation• Perception• Beliefs & Attitudes

Findings of the Study:

The findings of the study identified various factors like price, quality, warranty, advertisement, brand, friend’s recommendations, family member’s recommendation which rural consumers consider while making purchase decisions of FMCG products. It was found that factors effect on rural consumer vary with age and income and found increasing with age and income. Importance of all factors in buying behavior of rural consumer found increasing trend with increase in their age and income.

1. Most Influencing Element of Buying a Particular FMCG in Rural Market

Table 1: Elements Influencing Buying Behavior

Elements	Respondent's Response
Advertising	20%
Packaging	5%
Dealer	10%
Discount	65%

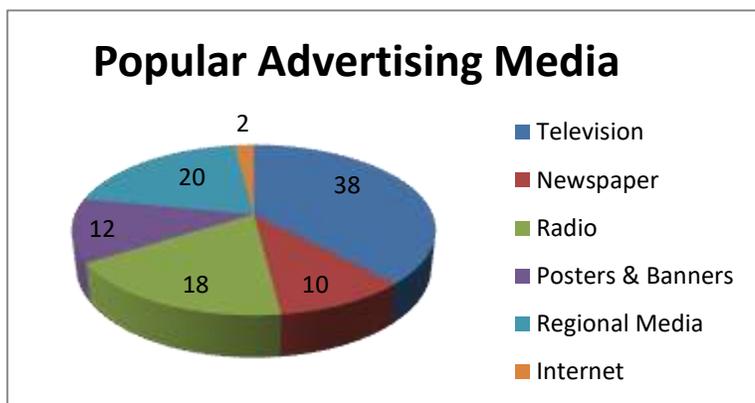


As can be seen from the above mentioned figure, 65% respondents opted for discount schemes as the influencing element for buying a particular FMCG, followed by advertising opted by 20%. This finding supports the fact that price of the FMCG, is the prime factor influencing the buying behavior of rural consumers.

2. Popular Advertising Media in Rural Market

Table 2: Popular Advertising Media in Rural Market

Advertising Media	Respondent's Response
Television	38%
Newspaper	10%
Radio	18%
Posters & Banners	12%
Regional Media	20%
Internet	2%

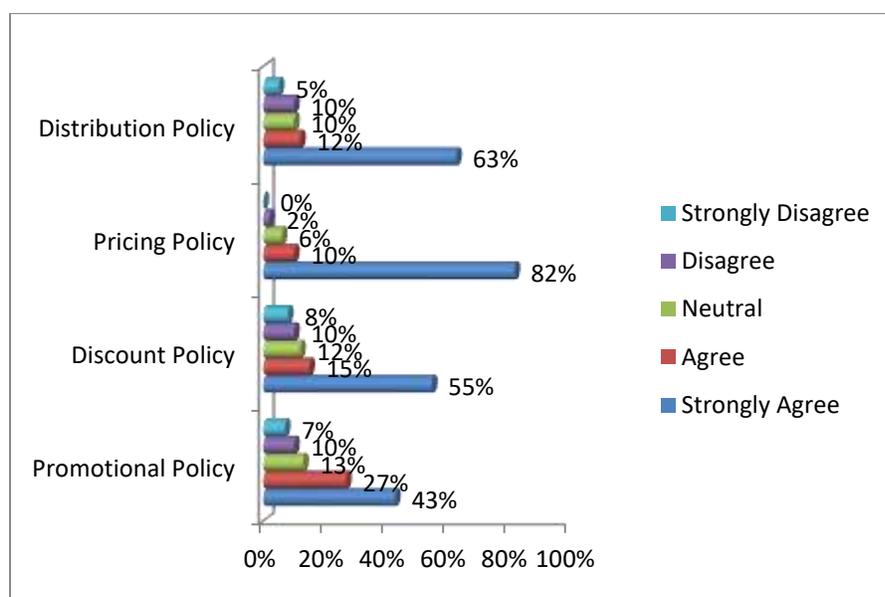


According to the survey, the type of advertising media which seems to be most popular in rural market is television which was selected by 38% respondents, followed by regional media like folk songs, dance, haats etc. which was selected by 20%. This represents that television is not only a popular advertising media in urban areas but has a wide approach in the rural areas also.

3. Impact of Marketing Policies on the Selection of FMCG in Rural Market

Table 3: Impact of Marketing Policies

Marketing Policy	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Distribution Policy	5%	10%	10%	12%	63%
Pricing Policy	0%	2%	6%	10%	82%
Discount Policy	8%	10%	12%	15%	55%
Promotional Policy	7%	10%	13%	27%	43%

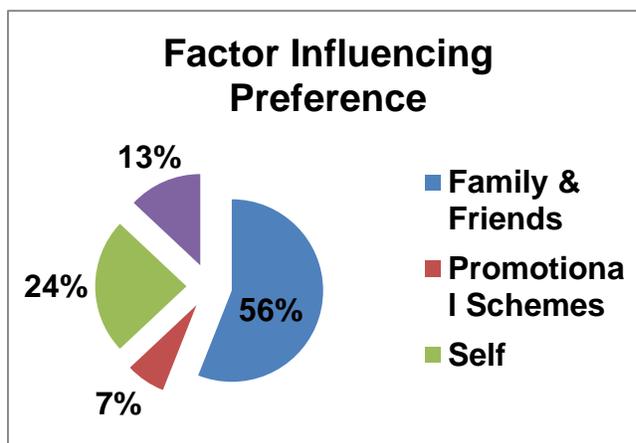


The findings related to the marketing policy having the highest impact on selection of FMCG in rural market shows that pricing policy plays the most crucial role. Rural consumers are preferring price of the product (selected by 82% respondents) rather than any other marketing policy, may it be promotional policy or availability of product.

4. Personal and Psychological Factors Influencing Preference of the FMCG in Rural Market

Table 4: Personal & Psychological Factors Influencing Preference

Personal & Psychological Factors	Respondent's Response
Family & Friends	56%
Promotional Schemes	7%
Self	24%
Word of Mouth	13%

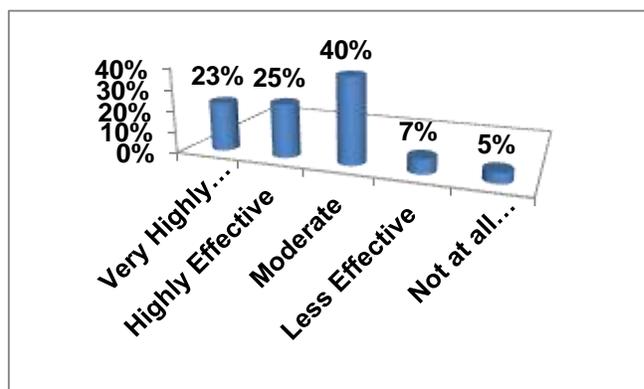


According to the survey, the factor influencing the preference of the FMCG in rural market is family & friends (56%). People in rural market prefer to buy FMCG after considering the preference of their family and friends. Influence of promotional schemes seems to lack in rural market, as only 7% of the respondents selected promotional schemes as the influencing factor.

5. Promotional Schemes Affect the Choice in Rural Market

Table 5: Effectiveness of Promotional Schemes

Effectiveness of Promotional Schemes	Respondent's Response
Very Highly Effective	23%
Highly effective	25%
Moderate	40%
Less Effective	7%
Not at all Effective	5%



According to the survey, the effect of promotional schemes on the choice of FMCG seems to be moderate (40%). There are great opportunities for the marketers to design their promotional schemes according to the requirements of the rural markets.

Conclusion:

The Indian rural market has emerged as a growth engine for the economy but it is completely different from the urban market. As the needs of rural consumers are different from those of the urban consumers, they prefer buying products in small quantities, unlike urban consumers who make their purchase in bulk. Slowly and gradually, promotional and advertising strategies are emerging in these markets, as observed in the study. On the basis of the various observations and findings, null hypothesis is rejected, and alternate hypothesis is accepted as there is a clear impact of marketing mix strategies in influencing buying behavior of rural consumers.

The marketing policy having the highest impact on selection of FMCG in rural market is the pricing policy; it plays the most crucial role. Rural consumers are preferring price of the product rather than any other marketing policy, may it be promotional policy or availability of product. Whilst television being the most favorite advertising medium for rural consumers, and the least effective is the internet, which is in fact inaccessible in some parts of the rural areas. Rural consumers are more connected to their cultures and family, therefore the buying decision is also highly affected by the social group of rural consumers.

The sheer size of rural India gives it a significant share in the total Indian market, which from the marketer's perspective, translates into a huge consumer base. However, just like everything else in India, rural India too is changing. Education, access to technologies, and a progressively increasing purchasing power is the new face of rural India. While such changes uncover new opportunities for marketers, these also lead to new challenges, which so often accompany change. It is important for a marketer to understand all these variables so as to frame suitable marketing strategies.

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