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Abstract

This empirical research examines the challenges faced by fast-moving consumer goods (FMCG) companies operating in rural areas of India. Rural regions present significant opportunities for FMCG firms due to the large population and untapped customer base. However, the unique characteristics of rural India, including low literacy rates, inadequate infrastructure, cultural diversity, and limited access to modern retail channels, pose substantial challenges for companies aiming to establish a strong presence in these areas. The study employs a mixed-methods approach, combining quantitative analysis of data collected from rural customers and merchants with qualitative interviews involving professionals in the FMCG industry. The findings highlight several notable challenges encountered by FMCG businesses in rural India. The report emphasizes the critical role of affordability in rural markets, where income levels often lag behind those in urban areas. To maintain profitability, FMCG companies must offer products at price points that align with the purchasing power of rural consumers.

Keywords: Indian Rural Market, Marketing Issues, Rural Market, Marketing Strategy

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Introduction

The concept of "Rural Marketing" can be interpreted differently by various individuals, resulting in a lack of clear analysis, imprecise comprehension of rural marketing issues, and often ineffective recommendations. While the fundamental principles of marketing apply to both rural and urban markets, rural markets possess unique characteristics and face distinct challenges. As rural incomes increase and the potential for further growth through improved agricultural production and pricing emerges, there is a significant opportunity for targeted marketing initiatives in rural areas. The vast size and wide consumer base of the rural sector in India present excellent prospects for marketers. Rural markets contribute a substantial share of India's overall market, as nearly half of the country's revenue is generated in rural areas where two-thirds of the population resides. India's rural landscape comprises approximately 450 districts, which can be classified based on factors like literacy rates, accessibility, income levels, diffusion, and proximity to surrounding cities (Khan and Thumiki, 2012). Marketing efforts in rural India play a vital role in both business expansion and improving the quality of life for rural communities. These markets hold immense potential and have experienced significant growth due to the

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implementation of various development programs and initiatives over the years. Programs focusing on agriculture, education, healthcare, communication, and rural electrification have contributed to improving the lives of disadvantaged and less-educated individuals. Market organizations predict that rural demand will soon surpass urban demand. As a result, marketing executives are actively exploring and leveraging the strengths of these expansive rural markets, which were previously overshadowed by saturated urban markets for certain consumer goods. The significance of rural marketing has become a prominent topic in corporate boardrooms, evolving beyond its initial stages. Recent evaluations conducted by organizations like NCAER indicate that rural incomes are growing at a faster rate than urban incomes (Kudeshia and Mittal, 2015). Rural India has witnessed remarkable progress, not only in terms of economic prosperity but also in terms of mindset and values. It is noteworthy that rural India accounts for 60% of the nation's total demand, and this demand is growing at twice the rate of urban markets. To increase their market share, organizations recognize the need to adapt modern marketing techniques to attract new customers and retain existing ones. To tap into the vast untapped consumer base in remote and rural areas, which is home to an additional 65% of the population, organizations need a viable plan that supports the adoption of innovative marketing methods.

Recent emerging trends have facilitated easier communication with target customers in these regions. Organizations now have access to new marketing approaches from various global sources and can customize their products accordingly. Marketing is a strategic process that involves careful planning, implementation, and execution to facilitate the exchange of products and services between businesses and customers. It enables businesses to understand and fulfil the needs and desires of their customers by offering products that align with those requirements and aspirations (Kudeshia et al, 2016).

Literature Review

The FMCG industry, which stands for Fast-Moving Consumer Goods, encompasses consumer packaged products in Western markets. These goods are commonly used and have a fast turnover rate in retail stores. FMCG products include items like soap, toothpaste, batteries, beverages, and cigarettes, among others. They are essential and affordably priced, leading to repeat purchases by customers. FMCGs are classified as non-durable goods, meaning they wear out, become outdated, or are consumed after a single use or limited uses. In the Indian FMCG sector, both domestic and international companies face a competitive landscape. However, there are notable differences between rural and urban markets (Kumar and Joghee, 2013). In rural areas, local and regional producers tend to dominate, while urban areas show a greater preference for both Indian and foreign brands. The FMCG sector in India, including consumer markets, is projected to witness significant growth. Success in specific categories can be attributed to limited competition. Rural and urban customers in India exhibit substantial differences. Rural areas often have high levels of illiteracy and poverty. This lack of literacy poses challenges in terms of brand differentiation and understanding of product information displayed on packaging (Kumar,

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2019). Additionally, the rural population experiences low and unpredictable purchasing power due to poverty and reliance on monsoon conditions. The presence of loose, unbranded products creates intense competition for branded and packaged alternatives. Rural communities are influenced by influential figures such as local panchayat members, caste leaders, and religious authorities, despite prevailing ignorance and illiteracy. Rural customers possess distinct economic, social, and psychological characteristics compared to their urban counterparts, and they exhibit high sensitivity to prices. Effectively engaging with rural markets and customers presents a considerable challenge for marketers due to their unique characteristics. While rural regions offer significant growth potential, it is crucial to recognize the formidable challenges involved in planning for such expansion. One major challenge is the presence of deteriorated roads in many small communities, which hinders accessibility. Adequate transportation infrastructure is essential for successful marketing activities, and the lack of reliable transportation options poses difficulties for farmers and marketers in reaching markets. In rural areas of India, inadequate transport infrastructure, including poorly connected roads, is a prevalent issue (Kumar, 2019). Another challenge is the limited availability of public and private storage facilities in rural regions, making proper storage challenging for marketers. Appropriate storage is essential for product processing, and expensive packaging can significantly increase the overall cost of the product. Marketers are advised to consider more cost-effective packaging materials suitable for rural markets. Access to media platforms is also limited in rural communities. While television can be an effective medium to reach rural residents, a significant portion of the rural population lacks access to electricity or television, making it difficult for them to engage with various media channels. India's diversity encompasses tribal, intellectual, and regional aspects. The rural population constitutes about three-fourths of the total population, and their livelihoods primarily depend on agriculture (C Kavitha, 2010). The rapid progress in rural areas can be attributed to factors such as improved access to information, increased job opportunities, enhanced infrastructure, and better availability of funding. As a result, per capita income in rural regions has risen, leading to an increase in product prices (Kudeshia and Mittal 2016). It is projected that the Indian FMCG market will reach a significant milestone of \$100 billion by 2025. In the current scenario, rural consumers show a preference for premium and popular brands rather than mass-market brands. However, it is important to note that consumption patterns in rural areas are not evenly distributed among villages. For example, 72% of rural FMCG consumption is concentrated in 10 states, while 66% of soft drink consumption is attributed to 19,000 villages. The rural market was predominantly dominated by minority businesses focused on agriculture. However, there were challenges such as a poor distribution system and limited awareness and knowledge among rural communities, largely due to high illiteracy rates. As businesses recognized the growing demand in rural areas, they also faced intense competition, product diffusion, and consumer confusion in urban markets. It became evident that effective marketing required access to timely information and the ability to communicate the perceived quality and benefits of products or services. The location and

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dissemination of this information became crucial. In recent years, Indian consumers have undergone a shift in perception. They have become more discerning, recognizing the distinctions among products and the value they offer (Joseph, 2014). This increased awareness has created a changing market environment, especially regarding the services provided by companies. Therefore, to thrive in the rural market, businesses need to develop innovative marketing strategies, enhance distribution networks, address the challenges posed by limited awareness and literacy, and effectively communicate the unique value propositions of their products or services.

Objective

To measure the challenges of doing business in rural India for FMCG companies

Methodology

This research is a descriptive type that collected data from 231 participants, including FMCG company leaders who have experience operating in rural India and individuals who have successfully established and run businesses in rural areas. The data were analyzed using a checklist question, which required respondents to answer with either a "Yes" or a "No" for each question.

Data Analysis and Interpretations

Table 1 Challenges of Doing Business in Rural India for FMCG Companies

SL No.	Statements	Yes	% Yes	No	% No	Total
1	Transporting products to remote locations can be expensive and time-consuming, and power outages can disrupt manufacturing and storage operations.	205	88.74	26	11.26	231
2	Rural consumers typically have lower disposable incomes compared to their urban counterparts.	171	74.03	60	25.97	231
3	Many rural consumers have limited awareness and knowledge about branded FMCG products.	213	92.21	18	7.79	231
4	Limited access to retail outlets and lack of proper storage facilities can further hinder the timely availability of products in rural markets.	189	81.82	42	18.18	231

5	Rural markets often experience seasonal variations in demand due to agricultural cycles and festivals.	217	93.94	14	6.06	231
6	Rural India is culturally diverse, with different regions having their own customs, languages, and preferences.	177	76.62	54	23.38	231
7	Building trust and ensuring consistent quality are crucial for FMCG companies operating in rural areas.	195	84.42	36	15.58	231
8	FMCG companies need to navigate through various government regulations and policies related to land acquisition, labor laws & taxation when establishing and operating in rural areas.	183	79.22	48	20.78	231

Table 1 shows that around 93.9% respondents accept that rural markets often experience seasonal variations in demand due to agricultural cycles and festivals. Additionally, many rural consumers have limited awareness and knowledge about branded FMCG products (92.2%). Moreover, transporting products to remote locations can be expensive and time-consuming, and power outages can disrupt manufacturing and storage operations (88.7%). Building trust and ensuring consistent quality are crucial for FMCG companies operating in rural areas (84.4%). Furthermore, Limited access to retail outlets and lack of proper storage facilities can further hinder the timely availability of products in rural markets (81.8%). In addition, FMCG companies need to navigate through various government regulations and policies related to land acquisition, labor laws & taxation when establishing and operating in rural areas (79.2%). However, rural India is culturally diverse, with different regions having their own customs, languages, and preferences (76.6%). Lastly, rural consumers typically have lower disposable incomes compared to their urban counterparts (74.0%).

Conclusion

Expanding into rural markets in India presents significant opportunities for businesses to reach a substantial portion of the population, which exceeds 70%. However, it is crucial to approach these markets with careful planning and caution, as they come with unique risks and challenges. Understanding the factors that influence rural consumers' purchasing behaviour is key to effectively engaging with this market segment. This understanding should inform the development of tailored advertising strategies and action plans. Rural markets in India are shaped by various factors, including improved infrastructure, increased purchasing power, evolving consumption patterns, better access to information and communication technologies, and

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government initiatives focused on rural development. Marketers need to adapt their approaches to align with the specific needs and preferences of rural customers. While there are obstacles in rural marketing, it is important to acknowledge that the rural landscape in India is undergoing a gradual transformation. Efforts to enhance infrastructure and improve the quality of life in rural areas contribute to the ongoing development of the rural market. By leveraging these opportunities and addressing the challenges, businesses can effectively tap into the immense potential of rural markets in India.

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