Abstract

The rural market of India is fascinating and challenging at the same time. It offers large scope on account of its sheer size. And, it is growing steadily. Even a modest growth pushes up the sales of a product substantially, in view of the huge base. It is attractive from yet another angle. Whereas the urban market is highly competitive, the rural market is relatively quiet. In fact, for certain products, it is a totally virgin market. Simultaneously, the market also poses several problems and hurdles. The firms have to encounter them squarely and put in a great deal of effort, if they have to get a sizeable share of the market. Efforts to capture the market with due thought and focus on the constraints with streamlined strategies to overcome the same will tend to define the path ahead for rural marketing in India.

INTRODUCTION

A Hindi poet has rightly said, “Bharat Mata Gram Vasini” which means Mother India lives in her villages. According to the 1991 census, India’s population was 850 million, of which 75 percent lived in villages. This is average statistics. There are states like UP, MP, Rajasthan, Kerala, Bihar and Orissa where the rural population varies from 80 to 90 percent. The spread of population in 4,200 cities and towns is to the extent of 25 percent, and of the remaining 75 percent is in 5,76,000 villages. This sheer base defines the volume and scope of rural
marketing. Marketing in India has for a long time meant urban marketing. But now rural marketing is being widely researched and discussed. If market potential is considered, the rural market is big with approximately 70 percent of the population still residing in rural areas and with 40 percent the Gross National Product emanating from agriculture.

The Indian Fast Moving Consumer Goods (FMCG) industry began to take shape during the last five decades. The FMCG sector is a keystone of the Indian economy as it touches every aspect of human life. The FMCG companies are now drawing benefits from that opportunity. In rural India, the income of the consumers is increasing and the lifestyles are changing. There are as many middle-income households in the rural areas as there are in the urban area. Thus rural marketing has been growing steadily over the years and is now bigger than the urban market for FMCGs. With the increase in the rural literacy levels and the exposure to media, people in rural area are also becoming conscious about their buying decisions like their urban counterparts.

As a result of the significant rise in the exposure level and brand awareness among rural people, they are becoming choosier and more demanding than ever before. The rural marketing environment also becomes more challenging for the companies to understand the buying behavior, the consuming pattern, the need and wants of the rural consumer.

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,
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 FMCG companies face in tackling rural markets, viz., geographically scattered nature of rural markets, their small size, remoteness, poor connectivity and tremendous heterogeneity. Low level of literacy, too many languages and dialects, cultural diversities, inadequate banking facilities, spurious products, low per capita disposable incomes, acute dependence on the monsoon seasonal demand, and media darkness are some 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 with media-dark rural spectators.

**Characteristics of FMCG**

FMCG industry is characterized by a few distinct factors:

The sector touches every aspect of human life, looks to hygiene to palate. This industry is characterized by a strong focus on the four Ps: Product, Pricing, Place and Promotion. It is a high volume, low value driven industry in most categories. It is brand driven, rather than product driven.

The capital investment required in plant and machinery is not high and any reasonably sized industrial house can enter the industry in
manufacturing. The major area in the area of marketing: brand building and promotion. Distribution network is extremely vital for the success of an organization in the industry.

Marketing and Distribution:
Marketing function is sacrosanct in case of FMCG companies. Major features of the marketing function include the following:

A. High Initial Launch Cost - New products require a large frontended investment in product development, market research, test marketing and launch. Creating awareness and develop franchise for a new brand requires enormous initial expenditure on launch advertisements, free samples and product promotions. Launch costs are as high as 50-100% of revenue in the first year. For established brands, advertisement expenditure varies from 5 - 12% depending on the categories.

b. Limited Mass Media Options - The challenge associated with the launch and/or brand-building initiatives is that there are few no mass media options. TV reaches 67% of urban consumers and 35% of rural consumers. Alternatives like wall paintings, theatres, video vehicles, special packaging and consumer promotions become an expensive but required activity associated with a successful FMCG.

c. Huge Distribution Network - India is home to six million retail outlets, including 2 million in 5,160 towns and four million in 627,000 villages. Super markets virtually do not exist in India. This makes logistics particularly for new players extremely difficult. It also makes the new product launches difficult since retailers are reluctant to allocate resources and time to slow moving products. Critical factors for success are the ability to build, develop, and maintain a robust distribution network.
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 constructed roads.

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.

Strategies adopted by different FMCG companies in rural marketing
ITC's e-choupal initiative is changing the lives of farmers on a scale no other venture has ever done. The company is entering more than 30 new villages a day, every single day of the week, 365 days a year. Take a
remote village. Go to the smallest farmer there. Educate him in the best farming techniques. Inform him of daily weather conditions and price movements in the market. Make available to him at his doorsteps the best possible seeds, pesticides and fertilizers at the most competitive prices. And when his crop is ready, help him find the best buyer. Imagine doing all of this in 30,000 villages across six states season after season, year after year. Doing it at no cost to the farmer and yet making money for yourself. Impossible, would be the most obvious verdict to such a proposal. Yogesh Chander Deveshwar, chairman of Rs 12,000 crore ITC, said when S. Sivakumar, chief executive of its agri-business, approached him with an equally ambitious idea in 2000. Knowing that he was asking for the moon, Sivakumar initially requested Rs 50 lakh to test the idea among soya farmers in Madhya Pradesh. Deveshwar granted him Rs 10 crore. The rest, as they say, is history. ITC's e-choupal network has already reached 3.1 million farmers, and is expanding into 30 new villages a day-making it corporate India's most ambitious rural initiative ever. Partnering ITC in the network are 37 companies, NGOs and state governments, together creating a new ecosystem for villages and establishing a direct link between what consumers eat and what farmers grow.

**THE POWER OF 'e'**
The e-choupal redefines choupal, the Hindi word for village square where elders meet to discuss matters of importance. The all-important letter in the word is "e". It stands for a computer with an Internet connection for farmers to gather around and interact not just among themselves but with people anywhere in the country and even beyond. It begins with ITC installing a computer with solar-charged batteries for power and a VSAT Internet connection in selected villages. The
computer's functioning is freed from the notorious power and telecom facilities at the village level. A local farmer called sanchalak (conductor) operates the computer on behalf of ITC, but exclusively for farmers. The e-choupal offers farmers and the village community five distinct services. Farming methods specific to each crop and region, soil testing, expert advice-mostly sourced from agriculture universities-all for free. Purchase: Farmers can buy seeds, fertilisers, pesticides and a host of other products and services ranging from cycles and tractors to insurance policies. Over 35 companies have become partners in the e-choupal to sell their products through the network. Sales: Farmers can sell their crops to the ITC centres or the local market, after checking the prices on the Net.

**Development work:** NGOs working for cattle breed improvement and water harvesting, and women self-help groups are also reaching villages through e-choupal. In some states farmers can even access their land records online, sitting in their village. Access to health and education services through e-choupal begins next month. In many villages e-choupals have become the axis around which the local community revolves. Be it for accessing newspapers online in the mornings (many villagers have discontinued their newspaper subscriptions) or checking the supply of products they ordered on the Net, or watching movies on farming techniques in the evenings, farmers frequent e-choupal at all times of the day. Each e-choupal covers between five and six villages.

**EMPOWERING THE SMALLEST**
Indian farmers typically buy at retail prices and sell their produce at wholesale prices, losing out on both ends of the deal. By virtually aggregating them, e-choupal brings the power of scale to the smallest of
farmers. ITC ensures that there are at least two suppliers of all products sold through the e-choupal. Farmers can pool their demand, compare prices and place orders on the Net. Bargain and choice—two key virtues of competition—are delivered to the farmers right on their doorstep. When it is time to sell the produce, e-choupal helps the farmers by breaking the monopoly of local markets that are controlled by trade cartels. In most mandis, farmers are cheated at several stages—arbitrary pricing, under weighing, delayed payments.

In Uttar Pradesh, farmers lose between 10 and 30 per cent of their income to such malpractices. ITC is setting up its own purchase centres in the six states covered by e-choupals. The farmers' response has been overwhelming. In 2001-2, the company purchased 60,000 metric tonnes of crop through echoupal. By 2003-4 the purchase increased to 2,10,000 tonnes and in four months of 2004-5, the company picked up 1,80,000 tonnes of farm produce. For farmers it is a win-win situation. Sitting in their village, they can check the prevailing purchase price at the mandi and the ITC centre through e-choupal and sell wherever they wish to.

ITC's entry into crop purchase invariably means a rise in mandi rates too, benefiting even those farmers who can't sell to ITC. In places where ITC rates aren't higher than the mandi rates, farmers are drawn to ITC centres because the company uses electronic weighing, better quality testing and ensures spot payment. ITC'S E-choupal achievement It's achievement :- (1)- 5,050 choupals, 29,500 villages, 3.1 million farmers. (2)- Using e-choupal to source a range of farm produce (foodgrains, oilseeds, coffee, shrimps). (3)- Marketing a variety of goods and services though e-choupal(agri-inputs, consumer goods, insurance, market research). (4)-Transactions:$100 in (2003).
Conclusion
Following the decades of opening of Indian economy to the outside world and the accompanying intervention in rural economy by the government in the form of various development schemes and programmes i.e., SGSY, NREGA Sampoorna Swachchta Abhiyan, Gram Vikas Yojna etc, and also decentralization of power through panchayatiraj institutions have opened new vistas of opportunities to the rural people. These together have made rural market attractive for FMCG industry in India. This relationship has grown over the years in a reinvigorating manner leading to the revitalization of the same.

References
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