

Road from Urban to Rural India – What FMCG Sector Should Do Different to Drive Growth from Rural Markets

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ABSTRACT

This paper intends to highlight the opportunities available in rural markets of India for FMCG companies and suggest the ways for managing and capitalizing these growth opportunities. In particular, this paper talks about the role of Government initiatives. Communication mechanism and changing preferences and aspirations of Indian Consumer to help organizations design strategies and GTM activities for rural markets. The significance of this study is to highlight on how technological advancement in form of social media usage, sales force automation and customer relationship management can help companies to match the aspiration of rural consumers of Digital India and how it can be used to create a differentiation in market place for increasing their presence and market share.

Keywords: consumer, economy, government, marketing

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INTRODUCTION

FMCG sector in India which is 4th largest contributor to GDP of country is estimated to grow at CAGR of 20% in next 3 years to cross USD100 billion market value while in same period global forecast is at CAGR of 4.4%. It means India will be growing much faster for FMCG sector than other big markets like China, Eurozone, Russia and Brazil. In a time when large economies are under severe stress and growth is decelerating, forecast for India is looking well under reach due to several factors like changing life style and preference of consumers, rising income level and Increased per capita consumption of goods and services. Besides this the overall sentiments for India economy is all time high and recent upgrades in credit rating by Moody's has only added more positivity in already bullish market.

While growth estimates for FMCG have been made for entire industry, companies know it very well that rural markets will

be growth engines and growth from rural market will surpass the growth in urban markets. Some of the recent Initiatives of the Government in form of Jan-dhan Bank Accounts, Direct transfer of Subsidy, focus on Skill Development and building entrepreneurship among rural youth, better support prices for crops and improved road and internet connectivity are the factors which are working as catalyst to expect much higher growth from rural markets. As per 2015 estimates rural markets were contributing 40% of total market size of FMCG industry but now with more favorable economic and social factors this contribution is expected to touch 60% in next 3–5 years.

Indian FMCG sector can be broadly divided in to 4 sub sectors – Food and Beverages, Personal care, Household care and Other (Tobacco and OTC Products). Currently Food and Beverage has 46% share in total Industry volume, followed by Personal care at 23%, others at 20% and Household care at 11%. As per estimates

Personal care and Household care will be two sector which will show comparatively higher growth in next 3-5 years and will touch 24% and 15% share. respectively.

FACTORS WHICH CAN HELP TO DRIVE GROWTH IN RURAL INDIA

Consumer Connect and Communication

Simple communication and connect with consumers is the first area where companies must focus upon. While designing a communication for rural market, one must understand the changing trends, life style, expectation and aspiration level of the consumers there. Rural consumer is no more interested in products but he is looking for brands and while building brand in these markets focus should be on communication rather than promotion. Communication and Information delivery in local language will always be a key but besides that selection of platforms to communicate will be another key to engage with target consumers. Local celebration, signature points and festivals would be good medium to communicate with your target consumers. Marriage Season is one such big occasion where local Sarpanch (elected village-head) and opinion makers can be used to talk about your brand in their respective communities. I personally has witnessed the phenomenal results through engaging with these opinion leaders to drive the communication of Tobacco products in rural Rajasthan. While communicating with rural India, simplicity and authenticity are two points which should be of utmost importance. Your communication should be simple and authentic both as these consumers do not want to get fell in to trap of complexities of communication. Remember Jeevan-Sathi brass torch of Eveready few years back, when initially this product was launched it was not made of completely brass but had few components of Plastic also. Because of gap in communication, rural market rejected the product initially

and finally Eveready had to change that plastic component with brass. Learning here is that deliver what you commit and keep your communication straight and simple.

Understand the Local Culture and Constraints

While rural India is growing faster in terms of lifestyle and consumptions with improved literacy rate and more access to remain updated with outside world, there are still areas where traditions plays an important role in life of an ordinary consumers. They still hesitate to ask for many products of lifestyle openly on shops due to natural hesitation. Most of the time marketers fail to understand this insight of local market and replicate the same communication which they use in urban markets. Sanitary napkin market is a huge market in Rural India but to drive growth, companies still need to work on packaging part. Rural consumers still hesitate to go on shop and ask for these napkins openly and even if they purchased, carrying them back home openly is another daunting task. They always look for black polythene bags or dark paper envelope to keep these napkins to ferry back home. If companies can change the design and packaging and can develop an alternate delivery channels, they can get benefited from the huge market potential available for this product.

Natural Is the Next Big Thing

Changing life style and its impact on human body has already made Indian consumer health conscious and now he wants to use the products which can help him gain natural ingredients both for personal care as well as for household. Patanjali has already started new momentum in this area and forced many of the big companies to follow the suit. They are not only developing new products under Natural, Herbal and Ayurvedic but also tweaking existing products to include herbal variants to remain on the bus till

new products come in market. Cibaca Vedshakti by Colgate, Garnier Ultra Blends with Natural Ingredients by L'Oreal and Citra by HUL are few examples which have stormed the market recently. While in Quarter ended March 17, FMCG segment grew by merely 6%, growth of Ayurvedic Products were 60% from the volume a year earlier. While in Ayurvedic products, currently personal care contributes 65%, followed by 9% of Household and 1% of Food Products. After Personal care, Food products are going to be a high-ticket items in urban market while Personal care will drive growth in rural markets. Consumers in rural India always had an inclination towards natural products and Neem and Lemon Variants of various Soap and Toothpaste brands always had better response than urban market and now with full-fledged portfolio of natural products, rural India will be the focus of new marketing and distribution Efforts. But again there is one word of caution – while designing the communication, marketers would need to keep their message simple as too much stress on natural might boomerang and bring a sense of inferiority among users.

Online Sales Opportunity

Globally the FMCG Companies are now shifting their focus on e-commerce due to increase in mobile Penetration. In India the mobile penetration has shown remarkable growth in recent years and with entry of Reliance Jio and subsequent drop in rates of mobile data, has given easy and affordable access to Internet. Affordable Internet access has revolutionized the rural market and now they are more updated with latest trends and happenings in outside world. This has sparked a growth in Social Media users also and against 142 million of users in 2015, India is expected to touch social media user base of 370 million in 2021 with 130% growth. This is a huge number which can provide another

channel of communication and information for rural consumers. Currently global share of online sales of FMCG products account for 5% while it is 1–2% in case of India but now with easily accessible Internet facilities, online sales can be another channel to drive growth in FMCG sector. In rural markets although logistics can be an issue to support delivery model of online sales, internet and social media can be used as a tool to create awareness and sales can be driven with availability of products at local Karana stores. This will require tie-up with local kirana stores in rural markets and they can be trained in communicating product benefits and work as further endorsement point for brands. Only one advice of caution here is to be authentic as once your claims on web do not meet with actual product benefits, you will lose the battle before start.

Innovative Products

Indian customers are exceedingly versatile to new and creative items. As Indian shoppers turn out to be progressively presented to worldwide items, their interest for imaginative items has been expanding, which is bringing about higher R&D consumption by the main market players. To drive growth in rural market, companies must start their working in this direction and should come up with products that can change the basic life style of rural consumers. There is already lot of changes happening in rural India and migration from woods to cooking gas stove is one of the example for it. Although it was a government run initiative but has met wide success. With gas stoves in Kitchen the face of rural household is also changing and thus their aspiration to revamp their kitchen and eating habits also. Although they are yet not fully prepared for complete range of Ready- to -eat food products but still there is scope for ready –to-eat products in snacks category. For development of this

category companies need to educate the consumer first and for this social media platforms can be used to display how to make video series besides traditional in packet booklets. Companies should try to develop web-based communication and use of social media as a tool to communicate more with rural consumers as it will not only help them in faster communication, engagement but in development of a cost-effective communication medium for future.

Local Self-Help Groups

There are companies who have used this platform as a channel to drive the sales in rural market. Probably HUL was first to develop this concept with project Shakti and later they used this concept in other parts of the world as well. Local self-help groups can be used as a distribution channel to drive sales and promotion both in deep rural markets where setting delivery and service infrastructure might not be feasible initially. There are substantial numbers of local government workers especially female workers in Aganbadi programs who carries good clout on rural masses and they can be chosen to lead such groups. Setting a sustainable distribution model in smaller village will always be a challenge and will require investment and patience to get return from investment but this route of local groups can work as miracle if planned and monitored properly.

Public –Private Partnership:

Although its look quite strange that why and how FMCG companies can tie up with government to drive growth in FMCG markets but those who understand rural India will definitely understand my point here. In Rural India, to get yourself established as a brand you need to sound authentic and must develop a belief for yourself that you will be there to provide regular services. For trade this service will not only be delivery but lifting damaged

and dented stock also for FMCG products. Most of the companies and their local staff fail in developing this trust and confidence among rural trade as well as consumers. While I used to work in Rural Himachal Pradesh, after exchanging initial pleasantries, first question shopkeeper used to ask was- would you come next time or from where would I get stock next time? Despite of working with a company who had strong infrastructure in Himachal since years, Interior markets was lacking that confidence and that was one of the reason for not getting proper support from Distribution channel despite of strong brand presence. In such cases if companies start working with local government bodies and help them in development of local projects on Child education, making shelters for street Children, providing help to Old age homes and Orphanages, and can help in setting up skill development centers, it would not only give a last longing impact to brand but would also develop trust and respect for their local. Now when Government is working on Swatch Bharat Campaign, there is golden opportunity with companies to use this platform to develop partnership at local level and build connect and trust among rural consumers and with rural India.

Sales Force Automation

Sales force automation is not directly linked with creating demand and fostering growth but it gives FMCG companies a window to build sustainable distribution and to know more about their consumers. With focus on servicing markets even up to 1000 population, SFA can help in giving a clear picture to make a balance between right servicing and cost. The cost of service should not be more than cost of return and with the help of SFA companies can do data mining to build better service and delivery mechanism for rural markets. Even many telecom companies have started providing servicing markets up to 10000 population strata and are monitoring

the stock and service level through automated processes. SFA would help companies analyze the SKU wise and market wise performance of products and it will be a good support to effective trade marketing campaigns.

Engagement Through Co-creation

Co-creation is an activity used by few of the companies with their urban consumers to help them develop a brand basis their own specifications. Although this has not turned in to major success so far, for rural consumers Co-creation can be used to develop connect, self-ownership and trust for the brand as well for the organization. Co-creation can give companies idea also what kind of product rural consumer is looking for and how as a responsible organization, companies can fulfill their dream of designing their own product of use. Believe me, co-creation can be a game changer for rural market to drive faster growth and getting faster market share. It can help companies build and develop products with local flavor and local acceptance. The scale of operation will be an area which would require a close consideration and would depend on organization's philosophy also.

Training of Sales Team

No war can be won without a trained and passionate army of soldiers and same applies here also when one is planning to drive growth from rural market. Sales force training on understanding the rural consumers should be an integrated part of orientation and induction of employees. Meeting consumers directly during their regular working and capturing insights and behaviors trends would help companies read the changes faster than competition and develop alternatives to capitalize on these insights. There must be a clear change in the way FMCG sales force perceive their rural consumers and the way rural consumers perceive the FMCG sales force. I will recommend inbound sales

approach here for field employees and they must be trained on handling consumers besides handling trade. Winning trade is a shorter route to success but winning end-user is although a longer route but sustainable and profitable one in the longer runs.

CONCLUSION

To conclude one can easily establish that India is changing and so is aspiration of Indian Consumers. Now for the companies, it is essential to understand these trends and devise strategies in accordance with the expectation of Indian consumers, who no more want to be treated like a market only for big corporates but they want that corporates should change their products and communication basis the requirement and needs of the consumers. More focus on personalized communication and use of technology to connect with consumers directly besides corrections in form of GTM and Distribution Planning can help FMCG Companies do much better in rural markets of India.

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