

BUYING BEHAVIOUR OF RURAL CONSUMERS: IMPACT OF ADVERTISEMENTS ON FMCG PURCHASES IN RURAL UTTARAKHAND

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Abstract: *Rural markets in India have assumed significance in the recent past with the growth of the Indian economy. More income & employment opportunities in rural areas have increased the purchasing power of rural consumers.*

The present study seeks to read the minds of the rural consumers regarding FMCGs. Toilet/bath soaps have been taken as sample to represent this category. The rural areas of the lower Himalayas and the Sivaliks in the Kumaun Region of Uttarakhand state in India have been explored to read the minds of the rural consumers. Interviews, discussions, and observations provided the required data for analysis. Data synthesis, compilation, organisation, and interpretation were done with the help of SPSS 17 software.

Keywords: *CB-Consumer Behaviour, STP-Segmentation, Targeting & Positioning, FMCG-Fast Moving Consumer Goods, HUL-Hindustan Uni Liver*

INTRODUCTION

Rural markets in the hills of Uttarakhand present immense opportunities for sale and consumption of consumer non-durables. The market potential for fast moving consumer goods is quite promising in these areas. The attitude and perception of the rural consumers towards branded soaps is very positive. As awareness and income in rural areas is increasing, the villagers have clearly indicated their intent of buying the best that the market has to offer. The rural consumer looks up to their urban counterparts and aspires to match their lifestyle by buying similar products. They are constantly sensing the mood of the urban consumer and try to match them soap for soap. People who commute to work in towns and cities are updated about the latest fashion and trends and are quick to adapt. With disposable income rising in rural areas they can afford to buy most of the things that firms have to offer.

Branded products and services were available only in big towns and cities until a few years ago. Rural consumers had to go to nearby cities to buy these branded items. Only a

few households consumed branded goods. The scenario has changed completely over the last decade. Today, rural markets are very important for every marketer-be it for a branded soap or an automobile. There was a time when marketers thought van campaigns, cinema commercials and a few wall paintings would suffice to entice rural folks under their folds. Invasion of television has been instrumental in educating the rural consumer about the whole range of products that are on offer in the marketplace. Today's rural consumer is well informed and has the ability to pay for branded products.

Trends indicate that the rural markets are coming up in a big way and growing faster than urban markets. According to a National Council for Applied Economic Research (NCAER) study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas. There are almost twice as many 'lower middle income' households in rural areas as in the urban areas.

As per NCAER projections, the number of middle and high income households in rural India is expected to grow faster

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than in urban India and the absolute size of rural India is expected to be double than that of urban India.

The challenges come in the form of price-sensitivity of consumers in villages. The problem may be further aggravated by fluctuating rural income levels which are largely determined by the vagaries of monsoon and, hence, the demand may not be predicted accurately.

The size of the rural market cannot be underestimated. Almost 12% of the world's consumers live in India. That is roughly 720 million customers. Total income in rural India (about 43% of total national income) is expected to increase from around US\$220 billion in 2004-2005 to US\$425 billion by 2010-2011. Pankaj Gupta of rural naukri.com provides some telling statistics. "The purchasing power of rural India is more than half for fast moving consumer goods (US\$17 billion)," he says. "The durables and auto mobile sectors contribute US\$2.5 billion each, and agri-inputs (including tractors) about US\$ 1 billion. Some 42 million rural households (use) banking services against 27 million urban households. There are 41 million Kisan credit cardholders (credit cards issued to farmers for purchase of agricultural goods) against some 22 million card users in urban markets. Be it automobile, telecom, insurance, retail, real estate or banking, the future drivers of growth are rural. No marketer can afford to ignore the possibilities of rural India."

Mr. Harish Bijoor's analysis concludes, "Our rural folk have bought a lot more of FMCG; this part of the market has grown at a robust rate of 23% (in 2008)", he says. "As durables shrink in urban India, the rural market is witnessing a 15% growth rate. Some 60% of the durables market lies in rural India."

Rural markets in India are becoming increasingly important with the growth of the Indian economy. More income & employment opportunities in rural area have increased the purchasing power of rural consumers. Rural reach is on the rise and it is fast becoming the most important route to growth for the industry. New approaches, new strategic alternatives, and new operational techniques are being evolved to gain competitive advantage.

REVIEW OF LITERATURE

Some consumer behaviour researches are conducted focusing on observations of actual behaviour in the market place; other researches are conducted under controlled conditions in the laboratory; still some researches are based on the manipulation of marketing variables within a stimulated marketing context. Only through constant testing, evaluation, rejection, and support of related hypotheses, behavioural principles can be developed to provide marketers with meaningful insights into psychological and environmental factors that influence consumer decision making.

Some significant studies relating to the subject matter of the study have been reviewed and the inferences and results are mentioned below:

Gupta and Sharma (2002) in their study "Knowing the rural customers" show that rural consumer in the urban analogous village wants to acquire the urban life style. But when it comes to buying decision making it is entirely different from its urban counterpart. Culture has a great influence on their buying decisions. The finding is: equal status of female in buying decision making.

The rural customer upholds his traditions and customs in high esteem. They hate the way their culture is being diluted through advertisements. Only a very small proportion of younger segment is willing to change and keep only the good that their culture wants. Rural customer is simple and virgin. Upholding the dictum that customer is the king, if marketers try to approach him through his culture, he will feel respected and honoured and will be with marketers forever. However, the conclusion of the authors that advertisements are responsible for diluting the culture and their statement regarding the rural consumer as 'simple' and 'virgin' is not supported by many researchers.

Rajasekar (2002) conducted a study to find the levels of awareness and brand preferences for fairness creams. He revealed that the purchase decisions are highly influenced by the quality of fairness cream and the price. Singh and Yarso (2002) in their study titled "Consumer behaviour and consumption pattern of toilet soap in Imphal, Manipur - A micro level study" have remarked that toilet soap produced in India does not give full satisfaction to all sections of consumer particularly in Imphal, Manipur. They, in one or other way, are not satisfied with the price, quality, color, smell, and size of the product available in the market.

Singh and Varshney (2003) in their study titled "Consumer behaviour and marketing trends of toilet soaps in Ghaziabad district rural areas - A Survey" observed that shrinking market share and sales of companies does not mean consumers have actually been cutting back on their use of toilet soaps. The fact is, in volume terms, the market for toilet soaps has continued to grow at 5-6 percent per annum. It is actually price competition and promotional war between companies which reduces per unit realisation and profit margin for companies. The lower rank brands i.e. economy segment or better known as discount segment has highest growth which has resulted into fall in net realisation because of volume consumption has declined which has caused downfall in company sales and share in turn.

Mishra and Sakthivel (2005) in their study on "Effectiveness of sachets in modifying rural consumers' buying behaviour and their consumption pattern" have analysed that sachet zing is the bold move by FMCG conglomerates to motivate the rural consumers to try the new products. It is the positive

step towards the modification of buying behaviour and consumption pattern of rural consumers neglected for and would bring more money to companies' exchequers and it can introduce new products to rural consumers. The study has revealed that only some selected products like shampoo, fairness cream, spices, mosquito repellent etc. could create impact among the rural consumers and rest of them could not. Hence, the companies need to focus on the reasons behind the modification in consumers buying behaviour and consumption pattern towards the products expected in medium and large containers. Yet, the study indicated that these sachets facilitated rural consumers to try new products and played a vital role in modifying their buying behaviour and above all, a major change in their life styles. Hence, a sachet is a promotion tool for modifying buying behaviour rather than a yet another innovative form of packaging.

Another cause for downfall in sales is due to provision of better quality soaps to consumers at lower price in the form of increased Total Fatty Matter (TFM). HUL and GCPL can neither compromise on quality nor afford heavy promotional budget in long term. The revival in the rural economy is the only hope alive which is expected to serve two purposes. Firstly, vegetable oil price will come down if there is good monsoon in the country. Being the main raw material, it influences the price of toilet soaps heavily. Secondly, increase in disposable income of rural consumers will certainly boost the sale of popular brands of toilet soaps as it is not lack of awareness but lack of affordability which restricts consumers from buying.

Banumathi and Kalaivani (2006) in their study on "Consumer satisfaction - An important parameter" have found that marketing is an art of attracting the producer and sellers are able to fully satisfy the customers continuously. The consumers are said to be satisfied when the actual results exceed their expectations; otherwise they are said to be dissatisfied. Therefore, "satisfaction is the felling of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his /her expectation".

Chandhok (2006) in his article titled "Rural marketing in India - Precepts for growth" has indicated that the rural market in India is quite fascinating and challenging. It has a large scope for the marketer. Even though these markets have weakness, they also have tremendous opportunities that should be availed by the marketers as markets are created not born. The market so created should be tapped effectively and squeezed. The markets, therefore have to come up with innovative proposals through the villages are involved in getting business from their respective villages.

Vaish (2006) in the article "Promotion and communication strategies for rural markets in India" has revealed that it is more effective to use simple language and touch emotions of rural folks through the communication - something that

they can empathize with. Commercials that use gimmicks, high-tech story and are fast-paced will not work in rural India. Message should be utilitarian and narrative. Rural dwellers relate more with colors, symbols, logos, etc. hence the marketers should use local icons and idols.

Rural communication has become such an important part of marketing portfolio that now every advertising agency has a separate division that deals with the rural marketing solutions. Behind every communication, there is a purpose needs to be communicated to the right people (target population). An effective communication is one that leads to purchase decision, brand registration in consumer's mind, brand recall and right brand associations. The communication for rural markets needs to be different from that of urban markets. Interpersonal communication accounts for about 80% of the rural communication process.

The communication package should generate a lot of "word-of-mouth" publicity so that the brand acquires "top-of-mind" recall value. Advertisements couched in entertainment work well. But they should suit the language, habits and customs of the rural consumer so that he can easily accept the new product. Marketer can use a judicious mix of conventional and unconventional media. Further, every marketing communication has to be backed by distribution in rural areas. So, marketers who understand rural consumers and fine-tune their strategies accordingly are the ones who will succeed in future. The communication should be such so as to make the product category relevant to the rural folks.

Nagarajan (2006) in the case study on "Unilever in India - Rural marketing Initiatives" has revealed that seventy percent of the Indian population lives in rural areas. This segment, commonly referred to as the "bottom of the pyramid", presents a huge opportunity for companies. Hindustan Unilever Ltd. (HUL) considered as one of the best - managed companies in India, has understood the importance of rural marketing. The trigger point came when a local firm Nirma, through its new product formulation, pricing and distribution challenged HUL's detergent business. Nirma's attack from below made HUL to realise its vulnerability as well as to identify a new opportunity. Since then, HUL has launched various initiatives to reach out the rural consumer. It has changed its product formulations and deliveries. It has begun a number of initiatives in terms of widening distribution each through traditional as well as unconventional channels. HUL has also empowered rural women by assisting them in obtaining financial assistance through its project Shakti.

India's rural population comprising 12% of the world's population presents a huge, untapped market. HUL has signaled its commitment to the rural market in various ways. Management trainees have to begin their career with the company by spending a month or two in a rural

village. Seniors managers have continued to emphasize the importance of rural markets. Various innovations in the marketing mix have been introduced, with the requirements of the rural markets in mind. But the company has realised that much more needs to be done.

OBJECTIVES & RESEARCH METHODOLOGY

The main objective of the study is to read the mind of rural consumer in Kumaun region of Uttarakhand. Toilet/bath soap has been chosen as a sample product to understand the intricacies of buyer behaviour of the rural consumer.

The proposed study is categorised under exploratory research. The main purpose of exploratory research study is that of formulating a problem for more precise investigation. The major emphasis in such studies is on the discovering of ideas and insights. The proposed area of area of research is only with reference to toilet soaps. As the researcher strategy feel that this particular study would understand the consumer behaviour of rural consumers and reveal lot of new ideas and insights on various promotional strategies that can be implemented by organisations to tap the remaining potential available for toilet soaps in rural markets.

Six districts of Kumaun region of Uttarakhand were chosen as sample. The rural areas of the interiors and the tarai region

have been given due importance so as to generate a holistic picture that would serve as a representation for the state. The six districts are Nainital, Almora, Pithoragarh, Champawat, Bageshwar, and Udhamasing Nagar. Sample size was restricted to 500 individuals/households.

Data synthesis, compilation, organisation, and interpretation could become feasible during the course of research with the help of SPSS 17 software. Most of the figures including bar diagrams and pie charts are made with the help of Excel & SPSS 17. Researcher designed three hypotheses during the course of research. For testing the validity of hypothesis, chi-square test was applied by the researcher.

Comparative analysis between the various attributes became possible through cross tables. Cross tables are self-explanatory in itself. Relative analysis in figures and in percent as well can be understood from the tables.

Charts and figures clearly display the results obtained after the comparative analysis of data. Figures clearly state the income wise, occupation wise, gender wise and several other type of distribution pattern of data. Association between the different attributes has also been explained in figures.

Hypothesis 1

Hypothesis (Alternative) H₁: FMCG sales are directly related with advertising.

Hypothesis (Null) H₀: FMCG sales are not related with advertising.

Table 1: Expenses Over Soap Purchase vs Purchase Decision of Soap is Influenced by Advertisement

Strongly Agree		Purchase Decision of Soap is Influenced by Advertisement					
		Agree	Indifferent	Disagree	Strongly Disagree	Total	
Expenses Over Soap Purchase	Below Rs. 50	16	28	33	19	21	117
	Rs 50-100	58	64	62	38	102	324
	Above Rs 150	18	12	12	9	8	59
Total		92	104	107	66	131	500

Table 2: Chi-Square Tests

	Value	DF	Asymp. Sig. (2-Sided)
Pearson Chi-Square	21.859 ^A	8	.005
Likelihood Ratio	21.893	8	.005
Linear-By-Linear Association	1.044	1	.307
N Of Valid Cases	500		
A. 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.79.			

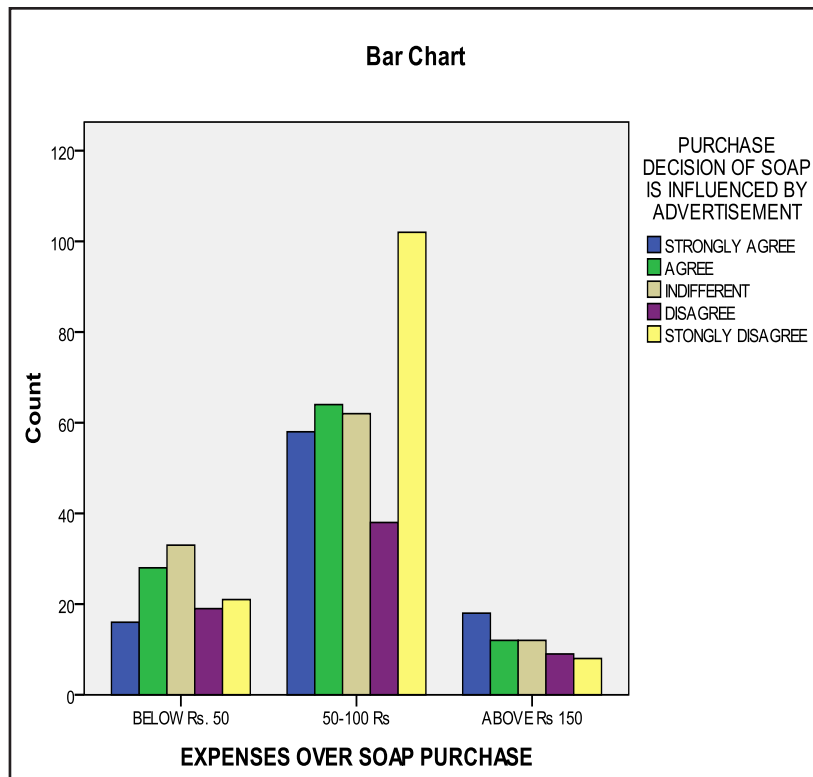


Fig. 1: Expenses over Soap Purchase

The critical value of chi square at $\alpha=0.05$ level from Table 2 is 15.507, which is much below the above-calculated value. Hence, the null hypothesis is rejected and alternative is accepted i.e. FMCG sales are directly related with advertising.

Hypothesis 2

Hypothesis (Null) H_0 : There is no significant relationship between the incomes of the consumers and consumption of non-durables.

Hypothesis (Alternative) H_1 : There is significant relationship between the incomes of the consumers and consumption of non-durables.

Table 3: Monthly Income in Rupees vs Frequency of Purchase of Soap

Once in a Month		Frequency of Purchase of Soap			Total
		Twice In A Month	More than Twice		
Monthly Income In Rupees	Upto 3000	21	93	90	204
	3001-8000	13	63	63	139
	8001-15000	16	54	47	117
Above 15000				13	40
15					
12					
Total		65	222	213	500

Table 4: Chi-Square Tests

	Value	DF	Asymp. Sig. (2-Sided)
Pearson Chi-Square	24.595 ^A	6	.000
Likelihood Ratio	18.876	6	.004
Linear-By-Linear Association	7.064	1	.008
N Of Valid Cases	500		
A. 0 Cells (.0%)			

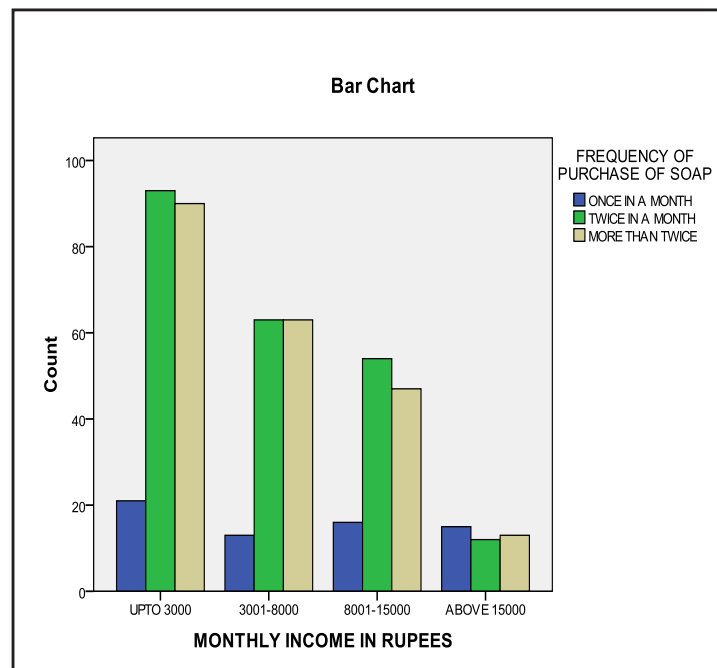


Fig. 2: Monthly Income in Rupees

The critical value of chi square at $\alpha=0.05$ level from Table 4 is 12.592 which is below the above calculated value. Hence, the null hypothesis is rejected and alternative is accepted i.e. there is significant relationship between the incomes of the consumers and consumption of non-durables.

CONCLUSION

Advertisements in television and the print media are instrumental in motivating the rural consumer into buying non-durables. Results from all six districts in Kumaun region of Uttarakhand, India clearly indicate that advertisements especially on television have a very profound impact on the rural consumers purchase decision. Television is one of the major sources of entertainment for the rural folk. Almost all the villages surveyed had electricity and access to most of the channels available in towns and cities. More than 75% of the sample households had TV sets. Another very important revelation was that majority of the viewers watched advertisements with the same intensity and interest as the main programmes unlike their counterparts in towns and cities.

Advertisements, therefore, are likely to be more effective in influencing purchase decisions of the rural consumers compared to the urban consumer. Celebrity endorsements were found to be very effective in influencing purchase decisions. Sometimes they even identify soap brands with celebrities. Some female respondents when asked about a particular brand of soap were able to recognise the soap as “Hema Maliniwalasabun”. Firms can use celebrity endorsements more often to increase their market share. Another very important eye opener for the researcher was the fact that rural consumers hold celebrities on a much higher pedestal than their urban counterparts. Any product endorsed by a celebrity is usually taken as the final word. They do not require any more assurances nor do they try and get into the nitty-gritties. The marketers need to make a note of it and use celebrities for enhancing consumer base in rural areas. Film personalities were found to be more popular with the females and younger males. Sporting personalities came a close second. Doctors and testimonials were low on priority. Advertisements in newspapers and magazines were also found to be quite effective but were clearly distant second

in the scale of effectiveness. The primary reason for this is the fact that only a small proportion of the population reads newspapers and magazines regularly but almost everybody watches television. Moreover, the supply of newspapers in villages is not regular and very few are available. Women perceive spending in magazines as a wasteful expenditure. The marketer can take a lead from here and design the promotion mix accordingly. Hoardings may be effective but the cost would far outweigh the benefits. The villages are sparsely populated and visibility is a major concern though small posters of bollywood actresses endorsing soap brands are very effective as POP promotion.

Consumption was found to be related with income. The high income group spent more on FMCGs both in terms of purchase of premium brands and also the frequency of purchase. A very interesting observation was that this group was not concerned very much with the usage rate (i.e. how long soap will last once they start using it). They use soap freely and replenish their stock as and when required. This is in sharp contrast to the low income category that use soap sparingly and give much importance to the fact that the soap must last long so that they do not have to purchase frequently. Usage rate is quite low. Moreover, this group was not particularly fond of soaps that formed a rich lather but preferred soaps that last longer. The high income group wanted soaps that formed rich lather. Fragrance however was desired by both the segments. The marketer can take the cue from here and may opt for usage rate segmentation to effectively tap rural markets.

How soaps are used in households is of particular interest. Most households with 2 to 3 small children (school going) shared their bath soap. In almost all such cases a typical set up was – one bathroom for three to six members, one soap in the soap case, all members used the same soap till it lasted, and then replaced by a new one. The purchase decision regarding the brand of soap was influenced by children in most cases, followed by the wife and then the husband. Households with grown up children were consuming at least two brands of soaps. Children in colleges and universities had their own preferences and sometimes quite different from their parents and siblings. There was little or no sharing of soaps in these households.

Rural areas especially in Nainital district are rapidly integrating with the urban centres. Agricultural lands are increasingly being encroached by builders for construction activities including residential and commercial projects. Most of the agricultural land surrounding the towns of Nainital and Haldwani has been sold by villagers to buyers from as far as Delhi who either make their summer homes, hotels, resorts or just treat their purchases as investment. The money realised from the sale of land is spent by these people in cars, luxury goods, and expensive FMCGs. There seems to economic prosperity in these areas because of the 'real estate

bubble'. Property prices have shot up unreasonably high. Sustainability of this high purchasing power is questionable. What after these villagers spend all their money? Very few have invested wisely. Income and employment opportunities in the long run do not appear to be very promising. The significance of price in buying decisions at the moment is not much but in a few years price again may be an important determinant in purchase decisions.

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