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Problems and Prospects of FMCGs Marketing in Rural Bihar

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ABSTRACT: The Fast-moving consumer goods (FMCG) sector is the 4th largest sector of the Indian economy. It is characterised by high turnover consumer packaged goods, i.e. goods that are produced, distributed, marketed and consumed within a short span of time. FMCG products that dominate the market today are detergents, toiletries, tooth cleaning products, cosmetics, etc. The FMCG sector in India also includes pharmaceuticals, consumer electronics, soft drinks packaged food products and chocolates. Since the sector encompasses a diverse range of products, different companies dominate the market in various sub-sectors. Importance of FMCG sector is immense in the economy of Bihar. It is the fourth largest contributor to the country's economy and provides jobs to 3 million people. This sector is growing at a very healthy rate for the past several years due to positive changes in the factors that support consumption at Rural level. The connectivity and transportation pose serious distribution challenges. Other major challenges that FMCG companies face in tackling rural markets are difficult terrain, scattered population, the small size of the majority of markets making distribution unviable and typical varied economic-culture divide.

KEY WORDS: FMCG, Products, Rural, problem and Characterised.

I. INTRODUCTION

The Fast-moving consumer goods (FMCG) sector is the 4th largest sector of the Indian economy. It is characterised by high turnover consumer packaged goods, i.e. goods that are produced, distributed, marketed and consumed within a short span of time. FMCG products that dominate the market today are detergents, toiletries, tooth cleaning products, cosmetics, etc. The FMCG sector in India also includes pharmaceuticals, consumer electronics, soft drinks packaged food products and chocolates. Since the sector encompasses a diverse range of products, different companies dominate the market in various sub-sectors. However, some of the top FMCG companies in India are- Dabur (60%), Colgate (54.7%), Hindustan Unilever (54%).

Fast-moving consumer goods (FMCG) sector is India's fourth largest sector with household and personal care accounting for 50 per cent of FMCG sales in India. Growing awareness, easier access and changing lifestyles have been the key growth drivers for the sector. The urban segment (accounts for a revenue share of around 55 per cent) is the largest contributor to the overall revenue generated by the FMCG sector in India. However, in the last few years, the FMCG market has grown at a faster pace in rural India compared to urban India. Semi-urban and rural segments are growing at a rapid pace and FMCG products account for 50 per cent of the total rural spending.

FMCG Sector:

Fast-moving consumer goods (FMCG) or consumer packaged goods (CPG) are products that are sold quickly and at relatively low cost. Examples include non-durable goods such as packaged foods, beverages, toiletries, over-the-counter drugs and many other consumables. Any product that is used quite frequently, on the daily regular basis, sells faster from the store self can be classified as FMCG. They are food and groceries, cold drinks, chocolates, candies, bread, butter, soap, toothpaste, batteries, cigarettes, floor cleaner, edible oils etc. FMCGs are essential, relatively low priced, goods of regular consumption and are purchased at regular intervals. They are also called non-durable goods – as against durable goods like car, TV, refrigerator, camera etc. The consumer behavior towards this category is less attentive and exhibit low concern, consumers tend to spend minimum effort in comparison and buying them. But for marketers, this creates a very difficult situation where consumer behavior is not explicit and designing marketing strategies for these products need a lot of insights and innovative research methods. FMCGs are broadly divided into 4 segments:

- Food & Beverages - Health beverages, staples/cereals, bakery products, snacks, chocolates, ice cream, tea/coffee/soft drinks, processed fruits and vegetables, dairy products, and flour, etc.
- Personal Care - Oral care, hair care, skin care, cosmetics/deodorants, perfumes, feminine hygiene, baby care, shower products, etc.

- Household Care: Dish/utensil cleaners, floor cleaners, toilet cleaners, air fresheners, insecticides and mosquito repellents, etc.
- Others: OTC products, Tobacco products etc.

RURAL AND URBAN TRENDS:

The FMCG industry in India is divided into the demographics of rural and urban India. The urban market contributes 60% of the consumption revenue of the FMCG market in India. In 2017, this sector recorded a market size of \$ 29.4 bn. While urban areas have spearheaded the growth of the FMCG industry in India, semi-urban and rural segments are growing at a rate that cannot be ignored. Semi-urban and rural segments contribute over 40% of the overall revenues of the FMCG sector in India. FMCG companies in India have witnessed higher growth in rural areas compared to urban ones. And with 12.2% of the world's population living in the villages of India, the Indian rural FMCG market cannot be ignored by investors. Dabur, one of the top FMCG companies in India, generates over 45% of its domestic revenue through the sale of packaged consumer goods in rural India. Hindustan Unilever, another name that has consistently dominated the list of top FMCG companies in India, earns over 35% of its revenue from rural areas. Rural India accounts for more than 40% of consumption in major FMCG categories such as personal care, fabric care, and hot beverages. In urban areas, home and personal care category- including skin care, household care, and feminine hygiene- will continue to grow at attractive rates. Within the foods segment, it is estimated that processed foods, bakery, and dairy are long-term growth categories in both rural and urban areas.

DEMOGRAPHIC SUPPORT:

An FMCG industry overview indicated that India's demographic profile plays a major role in the growth of this sector. Not only is India's demographic young, but this segment is also characterised by increased urbanisation and higher expenditure. Urban development initiatives by the government, as well as the increasing middle class of India, has led to an increase in the number of attractive markets in the country. Ernst & Young's research on the cities of India highlights the emergence of 30 'new wave' cities such as Jaipur and Surat. Consumption in these cities is growing at a faster rate than that of many of India's metros. India's young population is also characterised by a high degree of technological awareness. Growing penetration of smartphones and better internet connectivity in India has led to a burgeoning E-Commerce sector, which has, in turn, helped formalise large sections of the unorganised retail sector. The E-Commerce segment is projected to contribute 11% of overall Indian FMCG companies' sales in 2030.

BIHAR AT A GLANCE:

The State of Bihar 13th largest state of the country measuring a geographical area of 94.2 thousand square km. The river Ganga divides it into almost two equal halves North Bihar with an area of 53.3 thousand square km, and the South Bihar having an area of 40.9 thousand square km. It has a population of 10.38 crores and makes it the 3rd populous state of India. The population density of 1102 per square kilometer makes it one of the most densely inhabited market. This huge population and high population density are dividends for consumption and so lucrative for FMCG industries. Bihar has 38 districts and the major cities are Patna, Gaya, Bhagalpur, Muzaffarpur & Darbhanga. Patna has a population of 20.5 lakhs. All these cities put together constitute 3.5% population of Bihar. It has 28 cities having a population in excess of 1 lakh. Twenty two cities out of these are rural markets with huge potential. Social indicators of Bihar are also encouraging. The literacy rate is 61.8 % compared to the national rate of 73%. Male literacy is at 75.7% whereas female literacy rate is at 55.1%. The female literacy rate is growing at 20% rate due to huge support for the girl child education by the present government. This is expected to catch up with national average by 2025. As per Census 2011 birth rate (per 1,000 population) is 26.8 against the national average of 20.4. This is favorable from a marketer point of view. Importance of FMCG sector is immense in the economy of Bihar. It is the fourth largest contributor to the country's economy and provides jobs to 3 million people. This sector is growing at a very healthy rate for the past several years due to positive changes in the factors that support consumption at Rural level. North Bihar is still a big problem. The connectivity and transportation pose serious distribution challenges. Other major challenges that FMCG companies face in tackling rural markets are difficult terrain, scattered population, the small size of the majority of markets making distribution unviable and typical varied economic-culture divide. There are around 7 languages (Hindi, Urdu, Bhojpuri, Maithili, Angika, Awadhi, Purbai) and numerous dialects, diverse cultural ranging from Mithila to Magahi, one of the lowest number of bank branches, inadequate credit facilities, duplicate & spurious products (e.g. Dabur Hair Oil) are some challenges that need to be considered. However, if these challenges are overcome by understanding the diverse needs of the rural consumers, by making products available in every corner of the state, the fast changing landscape of FMCG goods have bright future.

II. REVIEW OF LITERATURE

Review of related literature makes the investigator fully aware with the previous work that has been done. It also provides an opportunity of gaining insight into the method, measures, subject and approaches employed.

Mahalingam and Kumar Nandha, (2012) concluded that the consumer behaviour plays an important role in marketing. This is influenced by various factors. In the changing global scenario we find that consumers needs and wants to buy a product also changes with it. In this study titled "A Study on Consumer Behaviour towards Selected Fast Moving Consumer Goods in Coimbatore City" the researcher has assessed the socio-economic profile ,shopping pattern of consumers and found out the factors influencing the consumer to purchase the selected FMCGs products.

Srivastava and Kumar (2013) analysed that FMCGs sector is a vital contributor to India's Gross Domestic Product. It has been contributing to the demand of lower and middle- income groups in India. Over 73% of FMCGs products are sold to middle class households in which over 52% is in rural India. Rural marketing has become the hottest marketing arena for most of the FMCGs companies. The rural India market is huge and the opportunities are unlimited. After saturation and cutthroat competition in urban areas, now many FMCGs companies are moving towards the rural market and are making new strategies for targeting the rural consumer.

Muneeswaran and Vethirajan (2013) revealed that Consumer behaviour assumes much importance in the present consumer oriented marketing system with particular reference to 'gender attention'. The FMCGs sector consists of four product categories such as Household Care; Personal Care; Food and Beverages; and Tobacco each with its own hosts of products that have relatively quick turnover and low costs. Every consumer is purchasing a particular product due to the influence of many factors. The influencing factors differ from one consumer to another and from product to product also. Similarly the brands which hitherto occupied a place in the minds of the consumers have started to disappear due to various sales promotion techniques and the quality brands from FMCGs have slowly started to attract the rural consumers.

III. METHODOLOGY

The method used in this paper is descriptive-evaluative method. The study is mainly review based. It is purely supported by secondary source of data, i.e. books, journals, papers and articles and internet.

IV. RESULTS AND DISCUSSION

Market Size:

The FMCG sector is one of the largest sectors of the Indian economy. According to an FMCG industry overview, revenues of the FMCG sector reached \$ 52.75 bn in FY18, and are estimated to reach \$ 103.7 bn in 2020. As consumption in India grows at an unprecedented rate, the FMCG industry remains a key sector for investors. Acknowledging these trends in the FMCG industry profile, the Government of India has undertaken various initiatives to promote the sector. For instance, 100% FDI is permitted in SBRT and cash-and-carry models of retail, and the minimum capitalisation for foreign FMCG companies to invest in India is \$ 100 mn. Even the implementation of GST in India has had far-reaching consequences for the sector, as the highest selling FMCG products such as soap, toothpaste and hair oil now come under the 18% tax bracket (as opposed to the previous 24%). The retail market in India is estimated to reach US\$ 1.1 trillion by 2020 from US\$ 840 billion in 2017, with modern trade expected to grow at 20-25 per cent per annum, which is likely to boost revenue of FMCG companies. Revenue of FMCG sector reached Rs 3.4 lakh crore (US\$ 52.75 billion) in FY18 and is estimated to reach US\$ 103.7 billion in 2020. FMCG market is expected to grow at 9-10 per cent in 2020.

Rise in rural consumption will drive the FMCG market. It contributes around 36 per cent to the overall FMCG spending. FMCG urban segment witnessed growth rate of 8 per cent, whereas, rural segment grew at 5 per cent in the quarter ended September 2019. Nielsen in its report (Sept.2015) says that for FMCG marketers, Madhya Pradesh, Chhattisgarh, Bihar, Jharkhand, and Orissa are low on the priority list because they have lesser disposable income and spending propensity as well as aspiration and awareness. The five states account for 16 per cent of the 2.38 lakh crore FMCG market and contribute 20 per cent to incremental sales. However, while food drives incremental sales in Bihar and Orissa, non-food categories drive sales in Madhya Pradesh and Chhattisgarh. The top categories in Bihar are shampoo, biscuits, and soaps, washing powder and hair oils. This widespread consumption of regular use categories shows that marketers should offer their full portfolio in these state outlets.

Strategies of Marketing in Rural Bihar:

The basic strategies of Product, Price, and Place & Promotion shall be adopted for meaningful marketing in rural markets.

Product Strategies:

- Small is beautiful: Design small offerings with affordable pricing – Rs 5 to 10 range, for products like shampoos, biscuits, pickles, toffees, talcum powder, paste etc.
- New is novel: New product specific to needs and values of the rural market can be offered. Patanjali has offered Gaunile – a floor cleaner based on cow urine which is considered very sacred in villages.
- Strong is good: Design sturdy products as rural people's life deals with rough and tough handling. Mopes, floor blades should be rust proof and should be durable.
- The brand is status: Though the rural consumers are more concerned with the utility of the products, the brand is their aspiration. Gillette uses and throws shaver, Dove, Nivea all are preferred over local brands.

Pricing Strategies:

Pricing strategies are integral to product decisions. They may be:

- Low cost/value for money product: By offering various smaller package sizes, cheaper packaging material, the price can be kept low.
- No flashy packaging: Flashy packaging create fear in the mind of customers who are very simple and earthy, of being costly and may dissuade them from buying. Sudha milk packaging is stout yet simple and attractive.
- Reusable packaging: This reduces overall uses cost and at the same time quality is assured. Liquid shops, tea jars etc.
- Value engineering: Develop new raw material for same benefits, new process to reduce production cost. New plant source for sugar free.

Distribution Strategies:

- Use multiple channels of distribution: Design integrated distribution system integrating milk co-operative societies, PDS,
- self-help groups, gramin bazars, markets/mandi, bazar samite, shetkari sangathan etc depending on the nature of the product and their perishability.
- Use e-chaupals, mobile connectivity for channelizing information of dispatch and receipts.
- Apps can be developed for delivery and sourcing of articles and can be really cost effective.

Promotional Strategies:

- Media: Use rural cinema halls, print media – local newspaper inserts, local FM radio
- Televisions: National channel can be used for big bang launch and communication to masses at large. State specific channels can be used for target rural customers with specific contents in the local language.
- Hoardings: Hoardings at chowks, petrol pumps, haat, melas can be used to convey the message.
- Wall paintings: Can be an effective medium on the road side empty walls of houses, boundaries etc.
- Promotional vehicles: Small Tata/Mahindra trucks can be branded and used for advertising with hand bills and booklets, posters, stickers, banners of the schemes. They can even offer free samples for initiating for buying the products.

Investments:

The Government has allowed 100 per cent Foreign Direct Investment (FDI) in food processing and single-brand retail and 51 per cent in multi-brand retail. This would bolster employment, supply chain and high visibility for FMCG brands across organised retail markets thereby bolstering consumer spending and encouraging more product launches. The sector witnessed healthy FDI inflow of US\$ 16.28 billion during April 2000-March 2020.

Some of the recent developments in the FMCG sector are as follows:

- In May 2020, Tata Consumer Products Limited (TCPL) acquired PepsiCo's stake in NourishCo Beverages Limited.
- In March 2020, Hindustan Unilever Limited (HUL) signed an agreement with Glenmark Pharmaceuticals Ltd to acquire its intimate hygiene brand VWash.
- In March 2020, Venture Catalysts made an investment in OM Bhakti, an organised brand in the puja cotton-wicks market during its seed-funding round.

- In November 2019, ITC Ltd acquired 33.42 per cent stake in Delectable Technologies, which is a vending machine start-up.
- Nestle plans to invest Rs 700 crore (US\$ 100.16 million) to open a new plant in Sanand for Maggi.
- ITC to invest Rs 700 crore (US\$ 100 million) in food park in Madhya Pradesh.
- Patanjali will spend US\$743.72 million in various food parks in Maharashtra, Madhya Pradesh, Assam, Andhra Pradesh and Uttar Pradesh.

Challenges of Marketing in Rural Bihar :

Though the FMCG market in Bihar looks quite promising, it offers some typical challenges and hurdles that have to be surmounted to gain a foothold in the market.

- Costly logistics: Bihar is a large state with comparatively poor connectivity leading to high distribution costs.
- Dealer network: Sales network is not professionally managed and complaints of cheating and dishonesty are quite prevalent Wholesale and dealer network problems Market data unavailability: Not much research work has been done on consumer buying behaviour and the propensity of consumption.
- Living standard: Typically Bihar is a rural economy and thus standards of living are basic. Aspirational and upgraded expenditure is low.
- Culture: Social, economic and cultural backwardness of the rural masses is evident and create impediments to FMCG adoption.

Government Initiatives:

Some of the major initiatives taken by the Government to promote the FMCG sector in India are as follows:

- The Government of India has approved 100 per cent FDI in the cash and carry segment and in single-brand retail along with 51 per cent FDI in multi-brand retail.
- The Government has drafted a new Consumer Protection Bill with special emphasis on setting up an extensive mechanism to ensure simple, speedy, accessible, affordable and timely delivery of justice to consumers.
- The Goods and Services Tax (GST) is beneficial for the FMCG industry as many of the FMCG products such as soap, toothpaste and hair oil now come under the 18 per cent tax bracket against the previous rate of 23-24 per cent. Also, GST on food products and hygiene products have been reduced to 0-5 per cent and 12-18 per cent respectively.
- GST is expected to transform logistics in the FMCG sector into a modern and efficient model as all major corporations are remodelling their operations into larger logistics and warehousing.

Road Ahead ;

Rural consumption has increased, led by a combination of increasing income and higher aspiration levels. There is an increased demand for branded products in rural India. The rural FMCG market in India is expected to grow to US\$ 220 billion by 2025 from US\$ 23.6 billion in FY18. On the other hand, with the share of unorganised market in the FMCG sector falling, the organised sector growth is expected to rise with increased level of brand consciousness, augmented by the growth in modern retail. Another major factor propelling the demand for food services in India is the growing youth population, primarily in urban regions. India has a large base of young consumers who form majority of the workforce, and due to time constraints, barely get time for cooking. Internet has contributed in a big way, facilitating a cheaper and more convenient mode to increase a company's reach. It is estimated that 40 per cent of all FMCG consumption in India will be made online by 2020. The online FMCG market is forecast to reach US\$ 45 billion in 2020 from US\$ 20 billion in 2017. It is estimated that India will gain US\$ 15 billion a year by implementing GST. GST and demonetisation are expected to drive demand, both in the rural and urban areas, and economic growth in a structured manner in the long term and improved performance of companies within the sector.

V. CONCLUSION

The high growth rate of the FMCG industry in India goes beyond growth drivers such as income growth and urbanisation. The consumption habits of India's new age consumers have resulted in an attitudinal shift in the market. The new Indian consumer is characterised by high awareness, an affinity for health and nutrition and high expendable income. This has led to the emergence of new FMCG sub-sectors, such as the air and water purifier market and organic food staples. These trends will further lead the development of the FMCG industry profile. With the growth of the traditional FMCG sector- and the emergence of sub-sectors that were non-existent until a few years ago- the future of this industry looks good for investors. Prospect of FMCG retailing in Bihar is bright even if the socio-economic indicators of the state are not at par with other states. However, increasing GSDP and per capita income of the people,



huge young population, and forward looking government with business friendly policies are bound to propel this state in the league of top FMCG markets.

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