

A Study On Identifying Key Factors Influencing Rural Consumers' Buying Behavior

Dr.Kiran.G

Associate Professor

Welingkar Institute of Management Development & Research

Bangalore

kirangowda0810@gmail.com

Dr.Nila Chotai

Director- Executive Education

ISBR

Bangalore

nila.chotai@isbr.in

Abstract

With about 6 lakhs villages and around 60 -65 % of the rural population, India rural market offers high potential. Fast Moving Consumer Goods (FMCG)is a major product category in rural consumption. Firms marketing FMCG to rural market cannot just extend their general marketing strategies to rural markets. Rather, they are required to formulate rural specific marketing strategies. These firms need to understand important issues relating to consumer behavior in rural market and specifically in the context of different geographic regions. This study aims to understand factors influencing the rural purchase of FMCG in South India. The study examines 8 districts of South India to pin point the key influencing parameters. Factor analysis was considered to form 24 key variables into five groups of influencing factors. One of the most significant variables was the trust factor. Retailers' recommendations have emerged as the most significant variable. The study indicate that the south Indian rural consumers consider usage of FMCGs contribute to lifestyle.

Keywords: *product category, rural life style, consumer Trust factor, Brand visibility, Value proposition.*

Identifying critical Factors influencing rural consumers' buying behavior.

Brief Introduction:

Since 1950, thrust to rural developments has eventually made Indian rural market a highly potential market. Awareness enhancement with increase in income levels has influenced the rural marketing environment. (Velayudhan, 2002). Primarily, factors contributed to the growth of Indian rural markets are

- low cost manufacturing technology
- innovative marketing promotions and

A Study On Identifying Key Factors Influencing Rural Consumers' Buying Behavior

- media penetration
- creative product packaging

Fast Moving Consumer Goods (FMCG) market has appeared as one of the most attractive rural markets in India (Kashyap, Pradeep & Raut, Siddharth, 2007). Effective FMCG marketing strategy in a rural context includes

- innovative product size and packaging
- number of product categories,
- customer friendly product variants
- deep distribution network

one of the popular myth about the rural markets is that it offers potential only for agri-inputs (Khosla, Ashok, 2000). The rural FMCG market in country has grown 15% in 2011 (Nielsen Report, 2012). The Indian rural consumer market grew 25% in 2008 and would reach US\$ 425 billion in 2010-11 with 720-790 million customers (Quarterly Report, CII-Technopak, 2009). According to FICCI Technopak Report 2009, FMCG industry is projected to grow by 12% and reach a size of US \$ 43 billion by 2013 and US \$ 74 billion by 2018.

Rural Market and Rural Marketing

Different experts have expressed different views about the term, 'rural'. Collins Dictionary (2001) describes the word 'rural' as 'place far away from towns and cities'. A rural market broadly comprises of consumer markets, institutional markets and services. According to Velayudhan (2002), rural marketing includes all those activities of assessing, stimulating and converting the rural purchasing power into an effective demand for specific products and with the aim of raising the standard of living. It is a two way marketing process of flow of goods and services from rural to urban areas and vice-versa (George & Mueller, 1955). Rural marketing is any marketing activity in which one dominant participant is from rural area (Kotler, et al., 2009).

| | Rural Seller | Urban Seller |
|--------------------|---|---|
| Rural Buyer | I: RS-RB Intra-Rural (All products) II: US-RB | II: US-RB Consumer goods, services, agro inputs, farm implements & machinery |
| Urban Buyer | III: RS-UB Farm & Non-farm products | IV: US-UB Intra-Urban (All products) |

(Source: Vaswani et al. , 2005)

Figure 1.1: Rural Buyer-Seller (Producer) Matrix

Vaswani et al. (2005) gave the Rural buyer-Seller (Producer) Matrix that presents the scope of rural marketing (Figure 1.1). On Shelf-I are the goods which are made by rural people in rural areas and consumed by rural inhabitants. Examples include pottery, woolen, cotton and silk fabric weaved by

handlooms, vegetables and fruits, etc. Shelf-II comprises of goods made and sold by urban people to rural areas like, automobiles, bicycles, farm equipment, fertilizers, etc. Shelf-III comprises of goods made in rural areas and consumed in urban areas like, vegetables, agro-based products, products of cottage industries, etc. Shelf-IV does not fall under the scope of rural marketing.

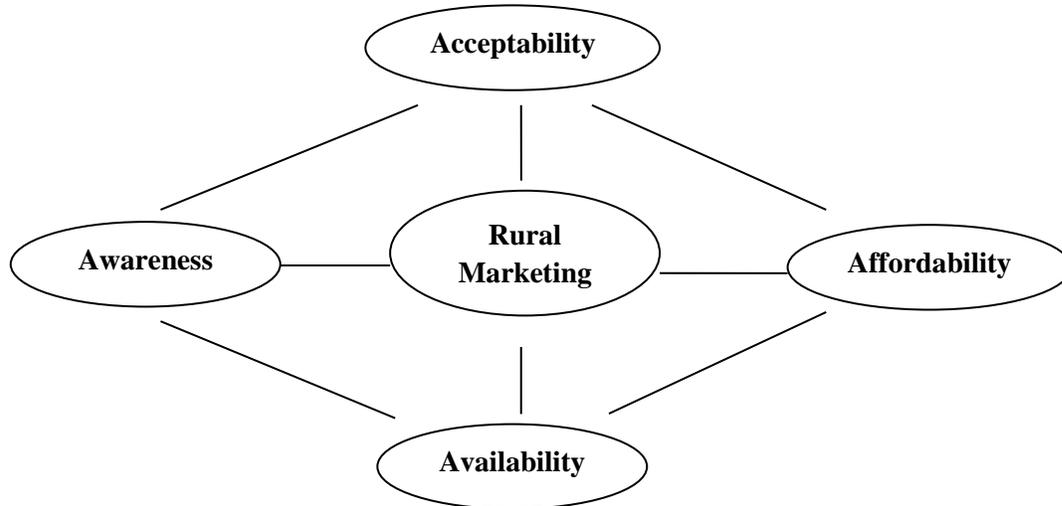


Figure 1.2: Rural Marketing – 4 A's Structure
(Source: Kotler et al. (2009). Marketing Management A
South Asian Perspective, 13e, Pearson Education, New Delhi, pg. 12)

Figure 1.2 depicts popular Rural Marketing mix comprising of 4 A's namely,

- Acceptability,
- Affordability,
- Accessibility and
- Awareness

Review of Literature

With market liberalization policies after 1990's, marketing scenario in India changed totally(Gopala Swamy, 1997). Primarily, the Indian rural markets are 'untaped' in nature and now they are opening for most of the packaged goods (Habeb-Ur-Rahman, 2007) and for other many of the product categories (Bijapurkar, Rama 2000). It necessary for Rural marketers to differentiate themselves on quality and value for money (Anand & Krishna, 2008). For this, they have to understand the factors influencing the rural buying of FMCG (Krishnamoorthy, 2008). Various factors influence the buyers' decisions making (Blackwell and Talarzy, 1977). Many literature indicated that

- Packaging (Pandey, 2005; Venkatesh, 2004),
- Brand name (Narang, 2001;
- Bishnoi & Bharti, 2007;
- Sahoo & Panda, 1995),
- Quality (Rashmi & Venu Gopal, 2000; Kumar & Madhavi, 2006),
- Price (Sarangapani & Mamatha, 2008) and

A Study On Identifying Key Factors Influencing Rural Consumers' Buying Behavior

- Promotions (Bhatt & Jaiswal, 1986) influence the rural purchase.

Opinion leaders have a great influence on the rural consumption behavior (Sayulu & Ramana Reddy, 1996). Study shows that the retailers are key influencers of rural purchase of FMCG (Ying Zhao, 1994).

Research Gap

Though the available literature on influencing factors looks adequate, there is still needs for further research in different geographic rural markets (Jha, Mithileswar, 2003; Bijoor, Harish 2004). Rural consumer behavior differs for different product categories and geographic markets (Sinha, 2008). As per Rajan, R.V., a lot of study still required to understand rural buyers. Though studies are conducted on various aspects like, challenges in rural markets (Khatri, 2002), advertising issues in rural marketing (Balakrishnan, 2007), importance of creativity in message generation and message execution while communicating with rural markets (Bansal & Easwaran, 2004) and general issues relating to rural markets (Bijapurkar, Rama, 2000), there is still a remarkable scope for examining more issues related to buyer behavior in the context of rural markets. The literature review reveals that very little research is done on rural consumer behavior with respect to factors influencing the purchase and consumption of FMCG, specifically for the South Indian rural consumers. Hence, this researches study on FMCG buying behavior of rural consumers in India.

Primary Objective of the Study

Primary focus of the study is to find out the critical factors that influence buying behavior for FMCG by rural population of South India.

Research Methodology

1. Primary data :

It is gathered through administering a structured questionnaire using 5 point scale to apply suitable statistical technique.

| | | | |
|----|--------------------------------------|----|-----------------------------------|
| 1 | Shop Keeper's Recommendation | 13 | Packaging |
| 2 | Friend's Recommendation | 14 | Product education & demonstration |
| 3 | Low price | 15 | Brand endorsements |
| 4 | Affordability | 16 | Quality |
| 5 | LONG lasting | 17 | Govt. Promotions |
| 6 | More features offering more benefits | 18 | Lifestyle |
| 7 | Need based | 19 | Brand loyalty |
| 8 | Brand awareness | 20 | Size |
| 9 | Relationship marketing | 21 | Shelf display |
| 10 | Promotions | 22 | Intended benefits |
| 11 | Dignity | 23 | Free offers / sales promotions |
| 12 | Availability | 24 | Brand equity |

Table 1 : factors with influencing variables & respective factor loadings

| | |
|--|--|
| | |
|--|--|

| Factor | Variables | Factor Loadings |
|-------------------------|--------------------------------|------------------------|
| PROMOTION FACTOR | • Promotions | 0.951 |
| | • Relationship marketing | 0.912 |
| | • Product education | 0.903 |
| | • Free offers/sales promotions | 0.896 |
| | • Brand endorsement | 0.871 |
| | • Shelf display | 0.810 |
| LIFESTYLE FACTOR | • Brand awareness | 0.847 |
| | • Packaging | 0.847 |
| | • Dignity | 0.816 |
| | • Brand visibility | 0.799 |
| | • Lifestyle | 0.750 |
| TRUST FACTOR | • Friend's recommendation | 0.883 |
| | • Brand loyalty | 0.791 |
| | • Government promotions | 0.790 |
| | • Shop keeper's recommendation | 0.784 |
| | • Availability | 0.746 |
| VALUE FACTOR | • Intended benefits | 0.880 |
| | • Affordability | 0.862 |
| | • Need based | 0.827 |
| | • Low price | 0.760 |
| PRODUCT FACTOR | • More features | 0.780 |
| | • Size | 0.726 |
| | • Quality | 0.713 |
| | • long lasting | 0.624 |

Sample unit for the current research consisted of rural population living in villages who are both buyers and consumers of FMCG.

Statistical Tools for data analysis: Factor Analysis was conducted to identify the factors that influence the FMCG purchase decision of rural consumers.

2. Secondary data:

Secondary data was gathered various sources like

- Websites of the FMCG firms,

A Study On Identifying Key Factors Influencing Rural Consumers' Buying Behavior

- Technical books and relevant articles on rural marketing,
- Few reports of consultancy companies published.

Data Analysis :

Main objective of the research was to find out the factors influencing the buying decisions of rural buyers w.r.to FMCG. Twenty four variables were identified that influence rural buyers' purchase decisions. of FMCG. Accordingly 5 factors were identified as given in the Table 1.

Factorwise Analysis and Interpretation of the Factors and Variables

Factor # 1# Promotion Factor

- *Promotions and advertisements* emerged as one of the key influencing variables in the Promotion Factor.
- Therefore, it is suggested that highest preference has to be given to promotional activities (Shapiro et al., 1987).
- *Relationship marketing* by companies does influence the purchase decisions by the rural consumers. Companies take up relationship activities as a part of their PR (Public Relations) programs. It can be interpreted that the relationship activities serve as promotional strategies in rural marketing.
- Rural marketers' attempts to *educate* customers regarding various aspects of the product/brand do influence the rural purchase decisions.
- *Sales promotions* can play an important role as the rural customers can get attracted by various sales promotion techniques like, free offers.
- *Brand endorsements* also emerges as critical variable. Rural marketers can use celebrity endorsements as a part of their product promotions.
- *Shelf display* contributes to a great extent in promotion of FMCG. It is also one of the key variables contributing to the Promotion Factor.
- Visibility in the retail outlet is also a very important aspect .

Factor# 2 # Lifestyle Factor

- The study reveals that the rural buyers relate their purchase and consumption of FMCG to their improved lifestyles.
- *Brand awareness* is the key factor. The buyers' awareness for a given brand is very important from the rural marketing point of view.
- *Packaging* too influences rural customers' buying decisions. In this study *packaging* emerges as one of the vital variables that influences lifestyle of the rural consumers.
- It is also found that the rural buyers buy FMCG to make them feel *dignified* while buying/possessing/ using them. This feeling dignified adds to their lifestyle. Lifestyle Factor covers *Brand visibility*.

Factor #3 # Trust Factor

- **Trust Factor point of view, Opinion Leaders**, like friend’s recommendations emerged as a critical variable. Rural buyers honor and accept recommendations of their family members, friends and relatives about the purchase and usage FMCG.
- **Brand loyalty** is glaringly noticed in rural markets.
- **Government** plays one of the most trusted sources for rural target segment. They trust and buy goods promoted by Government.
- It has been found that firms that incorporate their products/brands in announced **government policies** are more likely to influence the rural buying decisions.
- The **relationships** among vendors / shop keepers and their identified customers are relatively stronger in rural areas.
- In the case of rural marketing, **availability** is a primary parameter for success. Availability is covered under Trust Factor.

Factor # 4 # Value Factor

- It is observed that the rural buyers look for the value in their procurements of FMCG. Value products are those FMCG which are **affordable, low priced** and satisfy **intended benefits** of the buyers. The rural consumers buy FMCG based on their **needs**.

Factor # 5 # Product Factor

When it comes to product factor, influencing the rural purchase is influenced by four important variables,

- more features,
- size of the FMCG,
- better quality and
- long lasting FMCG.

Table 2 : Reliability of factors influencing rural purchase of FMCG

| Reliability | Cronbach’s Alpha | No. of variables |
|-------------------------|-------------------------|-------------------------|
| Overall reliability | 0.821 | 24 |
| Reliability of factor 1 | 0.953 | 6 |
| Reliability of factor 2 | 0.886 | 5 |
| Reliability of factor 3 | 0.859 | 5 |
| Reliability of factor 4 | 0.860 | 4 |
| Reliability of factor 5 | 0.711 | 4 |

Reliability analysis measures the internal consistency and reliability of the data collection instrument. For each of the factors the Cronbach's Alpha is higher than 0.7 which indicates the significance of the model. Details are given presented in above mention Table 2.

Conclusions and Recommendations

Rural buyers believe and trust retailers of their rural location. The rural retailers know that their customers listen to them. The firms are suggested to educate rural sellers about the marketing principles for their performance. Since price influences rural buying of FMCG, it is suggested that the firm should formulate and pursue the low-price strategy. To adopt low price strategy, firms are required to go for low-cost manufacturing and various marketing activities that include promotion and distribution. For rural buyers, value for money results when the purchased FMCG meets the intended benefits. Hence Firms are also advised to promote goods on price plank. The study speaks clearly that the rural buyers look for quality goods in addition to low price.) Sound product performance, reliability, brand image and other factors also play a very important role in buyers' behavior. Hence it is suggested, that instead of mere low pricing strategy, firms should rationalize their total market activities.

Innovative promotional strategies are the need of the hour in case of Rural marketing. Hence firms are advised to design their marketing messages that are easy to understand and are compatible with their educational back ground. Rural buyers associate long lasting feature with larger size and/or hardness of the product. Hence, it is recommended that all promotion activities for FMCG should revolve around this aspect. In the context of rural buying decisions, quality and consumption of FMCG are also important. And therefore firms should not compromise on the quality. Best option to firms is offer affordable prices with optimal quality.

Generally rural buyers are attractive towards good looking package. It encourages positive impression their minds which influence their purchase behavior. They remember product by its packaging. Hence, it is suggested that firms should pay more attention towards designing low cost attractive packaging.

It is also suggested that firms formulate their marketing strategies in line with rural development programs of the government. Firms also should communicate related government policy in their promotional strategy. The rural buyers strongly believe in messages coming from Government.

Celebrity endorsements work wonder in rural marketing, and hence it is suggested that the firms adopt low-cost advertisement strategies. The use of animated celebrity characters is one of the alternatives.

Few more recommendations include

- maintaining quality,
- develop and implement sales promotion campaigns,
- adopt strategies like prominent shelf display, CRM techniques etc.

Scope for Future Research

For FMCG, future is very encouraging. Research can be undertaken to find out how firm can encourage rural entrepreneurship.

References

1. Velayudhan, S. (2002), *Rural Marketing-Targeting the Non-urban Consumer*, Response Books, Sage Publications India (P) Ltd., New Delhi, Venkatesh, G. (2004), "Technology, Innovation and rural development", *IIMB Management Review*, Vol.16 No. 4, pp. 23-30
2. Bhatt, Rajeshwari G. and Jaiswal, M. C. (1986), "A study of an advertising impact and consumer reaction", *Indian Journal of Marketing*, Vol.18, pp. 9-16.
3. Bijapurkar, Rama (2000), "The Marketing in India, *The Economic Times*, September 18, pp. 6.
4. Jha, Mithileshwar (2003), "Understanding rural buyer behavior", *IIMB Management Review*, Vol.15 No. 3, pp. 89-92.
5. Kothari, C.R. (2004), *Research Methodology Methods and Techniques, 2e*, New Age International (P) Ltd., New Delhi, pp. 152-232
6. Mitra R. and Pingah, V. (2000), "Consumer aspirations in marginalized communities: a case study in Indian villages", *Consumption Markets and Culture*, Vol. 4 No. 2, pp. 125-144.
7. Pandey, D.P. (2005), "Education in rural marketing". University News, vol. 43, pp. 7-8.
8. Ramanathan, V. (2007), "Retailing channel enhancement strategies adopted by FMCG companies in South Indian rural markets", *The ICFAI Journal of Management Research*, Vol.6 No. 11, pp. 64-70.
9. Sahoo, S.K. and Panda, J.P. (1995), "The rural market and rural marketing in India: challenges and strategies", *Indian Journal of Commerce*, Vol.18, pp. 185.
10. Sehwret, Mahavir and Kundu, Subhash C. (2007), "Buying behaviour of rural and urban consumers in India: the impact of packaging", *International Journal of Consumer Studies*, Vol. 31 No. 6, pp. 630-638.