

## A Study on Factors Affecting Purchase Decision Based on Awareness, Affordability, Adoptability and Availability of FMCG products in Rural India

Mohd Shuaib Siddiqui<sup>1\*</sup>, Aftab Alam<sup>1</sup> and Jaziba Haroon Siddiqui<sup>2</sup>

<sup>1</sup>Department of Business Administration, Integral University, Lucknow, Uttar Pradesh, India

<sup>2</sup>Department of Business Management, Aligarh Muslim University, Aligarh, Uttar Pradesh, India

### Abstract

The word marketing is proposed as an organizational steps and a sequence of processes which creates communicates and deliver value to customers and maintains customer partnerships in order to provide advantages to the organization and its stake holders. According to Kotlar "Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others". Another marketing activity is rural marketing where one protagonist participant belongs to the rural area. This signifies that rural marketing comprises of input and output marketing of products or services between rural areas and other topographical areas. Such marketing is merchandise that has been specifically designed for the non-urban consumers along with the glossaries which in particular suits their needs and to make them acquainted about the products which they are not aware of. The motive of this paper is to know about the rural markets and the factors which affect the buying decision of rural consumers on HUL's FMCG products. The paper attempts to comprehend the rural market, significance and present scenario of rural market in the context of FMCG products. The principal objective of the study is to analyze the strength and opportunities of HUL's FMCG in rural markets of India especially in U.P. East and investigate various problems that are being encountered by the rural marketer.

**Keywords:** Rural market; HUL's FMCG products; Consumer buying decision; Rural market problems

### Introduction

The word marketing is proposed as an organizational steps and a sequence of processes which creates communicates and deliver value to customers and maintains customer partnerships in order to provide advantages to the organization and its stake holders. According to Kotlar "Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others". Another marketing activity is rural marketing where one protagonist participant belongs to the rural area. This signifies that rural marketing comprises of input and output marketing of products or services between rural areas and other topographical areas. Comparatively cheaper products with rapid turnover are referred to as Fast Moving Consumer Goods (FMCG). FMCG goods follows annual replacement characteristics. The features of FMCG Industry consist of a well organised distribution channel, low market penetration cost, low functioning cost, lower per capita utilization and tough contest between the organized and unorganized sectors.

With a legacy of over 80 years Hindustan Uniliver Limited is India's largest Fast Moving Consumer Goods Company with an enormous presence in India.

Since India is agrarian economy marketing in its rural portion has a substantial scope but on the other hand poses numerous hurdles, apart from the topological distance and remoteness of various villages. The growth of electronic media and its reach to rural India has given thrust to certain products and services which was once considered as the copyright of the urban users. Since the rural population has a great potential therefore in the last one decade or so, a number of companies, including multinationals, have begun to woo the rural consumer. In 1931, Unilever made its debut in the market launce of Hindustan Vanaspati Manufacturing group. Next in queue was the Lever

Brothers Ltd followed by United Traders Limited. These subsidiaries were merged in 1956 and came up a single entity named as HUL. It offered 10% of its equity to public and became the first company to do so. Keeping 67.25% equity itself the rest has been distributed in share holders and financial institutions.

The entry of HUL in bread making is a turning point in the company's wheat business. The government's remaining stake in modern foods was acquired by HUL in 2002. The Cooked Shrimp and Pasteurized Crabmeat business of the Amalgam Group of Companies was also acquired by HUL.

A new array of new business was launched in early part of 200's by HUL. Project Shakti with its launched in 2001 targeted the small villages with a population of less than 5000 individuals. This project is a win-a-win bag for HUL's Business. This initiative is mainly run by 45000 Shakti Ammas who are basically entrepreneurs which cover 100,000 villages across 15 states and reaching about 3 million homes.

In 2002 HUL also entered into Ayurvedic health & beauty centre domain. In 2003 Hindustan Unilever Network, Direct to home business was launched which was followed by the introduction of 'Pure it' water purifier in 2004. On 18 May 2007 during the 74<sup>th</sup> AGM. The name of

**\*Corresponding author:** Mohd Shuaib Siddiqui, Department of Business Administration, Integral University, Lucknow, Uttar Pradesh, India, Tel: 07398997254; E-mail: [shuaibsidddiqui78@gmail.com](mailto:shuaibsidddiqui78@gmail.com)

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the company was given a new name of Hindustan Unilever Limited with the approval of share holders. The same year the sales product like Brooke Bond and Surf Excel brought laurels to the company followed by the same legacy by wheel which in 2008 crossed the Rs 2000 crore sales milestone.

HUL completed its 75 years on 17 October 2008. The office of HUL was shifted to new campus in Mumbai Andheri (E). In a continuation it was on 15 November, 2010, the Unilever Sustainable Living Plan came into existence in India at New Delhi. Further progress was recorded with the inauguration of the art Learning Centre and the Customer Insight and Innovation Centre (CiiC) at the Hindustan Unilever campus at Andheri, Mumbai in March 2012 and April 2012, respectively. The year 2013 (October 17) was marked as the successful completion of 80 years for HUL in India.

Objectives of the study:

- To make out why there is requirement of rural marketing for HUL?
- To identify the factors that influences the rural consumers to buy.
- To identify the gap between the rural consumers and HUL's FMCG products.
- To identify the major opportunities for HUL's FMCG products available in the rural area.
- To identify the competitor's weakness and opportunity for HUL's FMCG products.

## Review of Literature

Advertising in the words of Russell and Lane [1] says "Advertising is a message paid for by an identified sponsor and delivered through some medium of mass communication. Advertising is persuasive communication. It is not natural; it is not unbiased; it says; I am going to sell you a product or an idea."

Consumer sales promotion arises from the decision taken by two marketing parties, the manufacturer and the retailer [2]. Generally these parties try to safeguard their own interest during decision making to maximize their personal profits. This selfish interest sometimes reduces the effectiveness of the whole channel on an average.

According to Srivastava [3] a furious growth in rural markets has been encountered in India which on the counter part often suffers ignorance by the marketers. 53% of Fast Moving Consumer Goods (FMCG) and 59% of consumer durables have market in the rural belts.

Ali et al. [4] stated that rural marketers should draft avant-grade promotional policies for rural markets that can convey messages in a simple and unified form to the rural consumers. FMCG with long lastic characteristics depicting bigger size and/or hardness of the products are often recommended by the rural customers. Hence, these lines should be taken into consideration while promoting FMCG. As rural customers prefer quality FMCG, therefore quality holds an important place in the pretext of rural purchase and intake of FMCG. Many researchers and experts like, Harish Bijoor, Rama Bijapurkar and Prahalad have emphasized on this folly. Hence, going forward it is advisable not to deteriorate or lower down the quality of FMCG products. Cheaper rates must be offered to the market but not at the cost of quality.

Sukhmani et al. [5] emphasized on the elements of promotion

mix and its role in influencing the rural consumers. A study was made where consumers were asked to rank the most significant element of promotion mix. Public relations were adjudged as the most important element, which increased the sales of an organisation. The most important factor deciding the optimal mix was found to be very rational choice on part of rural respondents, which showed high levels of awareness levels.

To reach the rural audience strong modes of communication must be used. In late 50s and 60s radio was among one of the known media touching the lives of most of the rural people followed by TVs and Cinemas. But with time these places have been taken by other communication devices like mobile, internet etc. Thus to understand the dynamics of market there is a need to rethink, reinvent and reinvest in rural population and market [6].

According to Björn Frank et al. [7] it is reported that repurchase tendency of the customer ultimately results in revenue generation of the corporate business and therefore the managers must know and investigate into what are the success factors which paves path for repurchase. Moreover, the differences in the repurchase behaviour of men and women should also be taken care of to get the optimum economical results. This theory also states that the repurchase behaviour of females is more strongly affected by brand image and customer satisfaction than for males.

Chaudhary [8] analyzed that the size of the population is not only the solo factor that due to which marketers are attracted towards rural market. Rural markets have immense potential for expansion and growth of market. Looking down the line and seeing the trend of rural consumption in India since the last 20 years it has been growing annually at a compounding rate of around 4% which in the next two decades is estimated to grow by over 5%. By 2025 these digits are likely to treble on a rapid pace.

## GAP Model of HUL's FMCG Products

GAP 1: The first type of gap one that exist between the expected service/product and the company's perception of expected service/product. These gaps are a result of either ignorance or miss understanding of customers' expectations.

### Causes of existence of GAP 1 in HUL

- No direct interaction with customers because the mediator cannot pass actual information.
- Unprepared to address the expectations.
- The large size of the company is also a problem for HUL as it poses a difficulty for the company to counteract the competition brought up by various regional and national players.

GAP 2: In ability to set right type of standard. The customer may have product/service lower than the standard set by the company. Sometime not knowing what the customer expect lead to setting to of wrong standards but even after knowing and understanding the customer's expectations, the design and system of product/service delivery as per the customer expectation.

### Causes of existence of GAP 2 in HUL

- Lack of resources like small size of shampoo, no availability of small sized tea as compare to open tea because people prefer small sized products because of low income and limited use of the products.

- Communication gap between distributors and company: Discrimination exists as distributors didn't get credit from companies but on the other hand they are abide to give some credit period to wholesalers and retailers. In this case they did not pass information for the particular demand.

GAP 3: Not delivering the product standard or not deliver the product.

#### Causes of existence of GAP 3 in HUL

- The rural distributors could not run their businesses without credit.
- Insufficient training to the mediators and the grievance of the retailers regarding over excessive lead time.
- Lack of direct supply to the rural markets as compare to other local competitors.
- Dearth of promotional schemes adopted in rural markets.

GAP 4: Due to not matching performance to promises or over promises with customer or wrong promises.

#### Causes of GAP 4 in HUL

- Absence of internal communication: There is a conflict between the rural and the urban distributors regarding the shifting over the territories allotted by the companies.
- Difference in attitude, in this way they do not buy products like ponds etc.

#### Problems faced by HUL's FMCG products in rural market

- The fast growing competition between other FMCG companies.
- Tough competition is provided by unbranded and local FMCG products.
- Presence of other strong FMCG brands poses limitation to the market share.
- Rural consumers do not consider brand image.

#### Opportunities of HUL's FMCG products in rural market

- Increasing brand awareness thereby increasing demand of HUL products.
- With the introduction of electronic and digital media in rural India, the probability of changes is becoming prominent.

- Tap that rural market where most of the competitors are local brands.
- Capture the consumers through rural games or events.

#### Conclusion

- Instead of manifold advancement in technology, still advertisements through television, internet, and social media are more liked and understood by people in rural topography.
- Maximum goodwill can be earned by HUL if they make their customer feel.
- Rural customers are increasingly becoming quality conscious as well as price and discounts so price and discount should be according to the desire of the customer.
- The people of rural areas do not try new product unless there is some pushing factor. So in this case product must be attached with the old product.
- Must be attracting the middle man for sales promotion.
- Increase top of mind recall of HUL's FMCG products and brands in rural consumers.
- Attract and retain the young primary consumers in rural market.

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