

THE RURAL CONSUMER'S CONSUMPTION BEHAVIOUR FOR FMCG PRECISE TO SALES PROMOTION ON SOAPS AND WASHING POWDER PRODUCTS AT MEHSANA: AN IN- DEPTH STUDY

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ABSTRACT : An important factor behind low penetration is poor government spending on infrastructure. For example, the government spending is very less on electrification programs in rural areas. This discourages the consumer durables companies to market their products in rural areas. The consumer durables market is expected to grow at 30-35 per cent in 2010-11. It is growing very fast because of the rise in living standards, easy access to consumer finance and a wide range of choices with many foreign players entering the market. In terms of purchasing power parity (PPP), India is the fourth largest economy in the world and is expected to overtake Japan in the near future to become the third largest. The FMCG market is expected to reach \$400 billion by 2010. The rural sector offers huge scope for the consumer durables industry, as it accounts for 70 per cent of the Indian population. Rural areas have penetration level of only 2 per cent and 0.5 per cent for refrigerators and washing machines, respectively. The annual growth rate of the urban and rural markets is 7-10 per cent and 25 per cent, respectively. The rural market is growing faster than the urban market, and the urban market has now largely become a product replacement market. India has the youngest population amongst the major countries. There are a lot of young people in India in different income categories. Nearly two-third of the country's population is below the age of 35 and nearly 50 per cent is below 25. There are 56 million people in middle class, who are earning \$4400-\$21,800 a year. And there are six million rich households in India. As rapid socio-economic changes sweep across India, With over 300 million people moving up from the category of rural poor to rural lower middle class between 2005 and 2025, rural consumption levels are expected to rise to current urban levels by 2017. The industry expects the government to deepen its focus on the rural economy with greater fiscal incentives and rural employment.

KEY WORDS: Penetration Level of FMCG, Rise in Living Standards, Rapid change in Socio-economic, Increment in the Consumption level, Role of Government

What is Rural ?

The "Rural Sector" means any place as per the "latest census" which meets the following criteria,

- A population of less than 5,000
- Density of population less than 400 per sq km and
- More than "25 per cent of the male working population" is engaged in agricultural pursuits.

Indian Rural Market: Brief Overview

There's no second thought about the fact that the Indian rural market is increasingly becoming the economic powerhouse of the country. The hinterlands, accounting for about 50 per cent of India's gross domestic product (GDP) and housing

nearly 70 per cent of the country's population, are showing remarkable multiplier effect and thereby excite policy makers and business leaders.

Moreover, rural areas, where 12 per cent of the world population is residing, are witnessing enormous growth in their incomes and crucial shift in consumer behaviour.

- Rural India accounts for around 55 per cent of the manufacturing GDP; rural areas were host to nearly 75 per cent of new factories built in the last decade, and rural factories account for 70 per cent of all new manufacturing jobs.

- Rural consumption per person has increased by 19 per cent yearly between 2009 and 2012; two

percentage points higher than its urban peers. In incremental terms, spending in rural India during this period, increased by US\$ 69 billion, significantly higher than US\$ 55 billion by urban populations.

Definition of Rural Market and Rural Marketing:-

"The soul of India lives in its villages", declared M. K. Gandhi at the beginning of 20th century. According to the 2011 census of India, 68.84% of Indians (around 833.1 million people) live in 640,867 different villages. The size of these villages varies considerably. 236,004 Indian villages have a population less than 500, while 3,976 villages have a population of 10,000+. Most of the villages have their own temple, mosque or church depending on the local religious..

Overview of FMCG

The burgeoning middle class Indian population, as well as the rural sector, present a huge potential for this sector. The FMCG sector in India is at present, the fourth largest sector with a total market size in excess of USD 13 billion as of 2012. This sector is expected to grow to a USD 33 billion industry by 2015 and to a whopping USD 100 billion by the year 2025. This sector is characterized by strong MNC presence and a well established distribution network. In India the easy availability of raw materials as well as cheap labour makes it an ideal destination for this sector. There is also intense competition between the organised and unorganised segments and the fight to keep operational costs low.

FMCG sector in India has been experiencing a phenomenal pace of growth since last decade owing to increasing consumer incomes and rapidly changing consumer tastes and preferences. Large scale and low cost production, modern retailing strategies, branding and maintenance of intense distribution network have given FMCGs an edge over others in raising hovering revenues. At present Indian FMCG sector is worth Rs. 1300 billion and expected to be around a whopping value of Rs. 4000 to Rs. 6000 billion by 2020. Henceforth FMCG and its closest companion Retail sector, both are likely to create most of the jobs in India in the coming years primarily in functions like marketing, sales, advertising, supply chain, logistics, human resources, product packaging and development, finance, operations, general management, supervising and so on. Gujarat Co-operative Milk Marketing Federation Ltd (GCMMF), Hindustan Unilever Limited (HUL), Dabur India, Nestlé India and Indian Tobacco Company (ITC) Limited are the oldest FMCG companies in India. Globalization has broadened the list of FMCG Companies in India. Foreign players like Cadbury, Pepsi Co, Johnson & Johnson, Procter & Gamble (P&G), Godfrey Phillips, Gillette, Britannia and Reckitt Benckiser, have registered a firm presence in India for last so

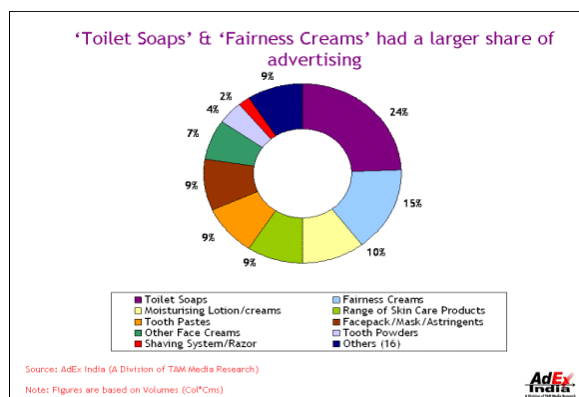
many years now. Among other Umami, Asian Paints (India), Marico Industries Ltd., Colgate-Palmolive (India) Ltd., Henkel Spic, Modi Revlon, GlaxoSmithKline, Nirma Ltd and Godrej Consumer Products Ltd lead the FMCG Companies chart in the country.

Soaps and detergents

In 1940 the "big three"—Colgate, Lever, and Procter and Gamble—controlled about 75 percent of the soap and detergent market. They produced a wide variety of products, such as shampoos, dishwashing detergents, liquid cleaners, and toilet soap, but the most important part of their business was heavy-duty laundry soap, which accounted for about two-thirds of sales. Procter and Gamble had about 34 percent of the market. Lever was a close second with 30 percent, and Colgate trailed with 11 percent. In 1946 Procter and Gamble radically shifted the balance in its favor when it introduced Tide, the first heavy-duty laundry detergent. By 1949, Tide had captured 25 percent of the laundry-detergent market. By 1956, even though Lever and Colgate had developed detergents of their own, Procter and Gamble held 57 percent of the market, as compared with 17 percent for Lever and 11 percent for Colgate. Despite Procter and Gamble's triumph, the big three still competed fiercely.

CATEGORY	MARKET PENETRATION		
	All India	Urban	Rural
Soap	91.5%	97.4%	88.9%
Detergent Bar	88.6	91.4	87.4
Laundry Detergent	86.1	90.7	84.1
Toothpaste	48.6%	74.9%	37.6%
Shampoo	38.0	52.1	31.9
Utensil Cleaner	28.0	59.9	14.6
Skin Cream	22.0	31.5	17.8
Deodorants	2.1	5.5	0.6

Source: Media Research Users Council and Hansa Research, Guide to Indian Markets 2006; Euromonitor



What is sales promotion ???

Sales promotions consist of a collection of incentive tools, mostly short term, designed to stimulate

quicker or greater purchase of particular products or services by consumers or the trade.

Sales Promotion

Sales promotions have grown in both importance and frequency over the past few decades. Although an accurate estimate for total sales promotions expenditures does not exist, we can be sure that the trend is up. Sales promotion serves three essential roles: It informs, persuades and reminds prospective customers about a company and its products.

Tools of Consumer Oriented Sales Promotion:

There are so many tools or technique available to the marketers for achieving objective of sales promotion. These tools are as under...

1. Coupons
2. Price-Off
3. Freebies
4. Scratch Cards
5. Lucky Draws
6. Bundling Offer
7. Extra Quantity

SWOT Analysis of FMCG Sector

Strengths:

- Well-established distribution network extending to rural areas.
- Strong brands in the FMCG sector.
- Low cost operations.

Weaknesses:

- Low export levels.
- Small-scale sector reservations limit ability to invest in technology and achieve economies of scale.
- Several "me-too" products.

Opportunities:

- Large domestic market.
- Export potential.
- Increasing income levels will result in faster revenue growth..

Threats:

- Imports.
- Tax and regulatory structure.
- Slowdown in rural demand.

Literature review

Many studies have focused on the effects of sales promotion on brand switching, purchase quantity, and stockpiling and have documented that promotion makes consumers switch brands and purchase earlier or more. The consumers' consumption decision has long been ignored, and it remains unclear how promotion affects consumption (Blattberg et al. 1995). Conventional choice models cannot be used to address this issue because many of these models assume constant consumption rates over time (usually defined as the total purchases over the entire sample periods divided by the number of time periods). While this assumption can be appropriate for some product categories such

as detergent and diapers, it might not hold for many other product categories, such as packaged tuna, candy, orange juice, or yogurt. For these categories, promotion can actually stimulate consumption in addition to causing brand switching and stockpiling. Thus, for product categories with a varying consumption rate, it is critical to recognize the responsiveness of consumption to promotion in order to measure the effectiveness of promotion on sales more precisely

Emerging literature in behavioural and economic theory has provided supporting evidence that consumption for some product categories responds to promotion. Using an experimental approach, Wansink (1996) establishes that significant holding costs pressure consumers to consume more of the product. Wansink and Deshpande (1994) show that when the product is perceived as widely substitutable, consumers will consume more of it in place of its close substitutes. They also show that higher perishability increases consumption rates. Adopting scarcity theory, Folkes et al. (1993) show that consumers curb consumption of products when supply is limited because they perceive smaller quantities as more valuable. Chandon and Wansink (2002) show that stockpiling increases consumption of high convenience products more than that of low-convenience products. In an analytical study, Assuncao and Meyer (1993) show that consumption is an endogenous decision variable driven by promotion and promotion-induced stockpiling resulting from forward-looking behaviour.

Research Methodology

Rational of the Study

The study has the scope of establishing the fact that the strength of the sale promotion is of the strongest link And hence the it will increase the Market share and growth of the firm. This brings up number of challenges and new opportunities in the field of FMCG companies.

RESEARCH STUDY

This chapter deals with the following issues related to research study

- Research Objectives
- Research Methodology

Research Objectives of the Study

Main Objectives

To study consumer preferences with respect to sales promotion in FMCG sector.

Sub Objectives

- ❖ To examine tradeoffs, relative importance of different attributes while responding to a sales promotion offer.
- ❖ To study the effect of sales promotions in FMCG sector esp. in soaps and detergent industry.
- ❖ To study consumer behavior in purchase of soaps and detergent.

Product categories under study

DETERGENTS: Washing Powder for Clothes

TOILETERIES Soaps

RESEARCH METODOLOGY

Research Design

A research design is a type of blueprint prepared depending on various types of blueprints available for the collection, measurement and analysis of data. A research design calls for developing the most efficient plan of gathering the needed information.

TYPES OF RESEARCH

Descriptive Research

In this project, descriptive study is undertaken. The study of knowledge and the characteristics of groups made up of sex; age; educational level; occupation and income is done.

Data Collection Method

Collection of Primary data

For this project primary data was collected through Structured interview (research instrument is Questionnaire) and Observation.

Secondary Data means data that are already available i.e., data, which has already been collected and analyzed by someone else. The following are the sources of Secondary data

- Books, magazines and newspapers, Internets
- Report prepared by research scholars, universities, economist, etc. in Banking field;
- Various publications of central, state and local government.

SAMPLING

A sample is only a portion of the universe of population. According to Yule, a famous statistician, the object of sampling is to get maximum information about the parent population with minimum effort. Properly done, sampling produces representative data of the entire population.

SAMPLE DESIGN:

Target Population : The population for this research study consists of the residence of Mehsana.

SAMPLING METHOD: This research would use Non probability-Convenience sampling method, Sample from data will be selected randomly.

SAMPLING UNIT: In this study the sampling unit is individual consumer.

SAMPLE SIZE : 150 consumers **50** retailers.

The calculation of the sample size by under given formula:-

$$n = \frac{Z^2 \sigma^2}{e^2}$$

Here Z = value determined from Z table for a confidence level

σ^2 = Variance

e^2 = Error specification

RESEARCH INSTRUMENT: Structured Questionnaire

DATA ANALYSIS: Use of SPSS software and MS excel

The expected Contribution of the Study

This study might will help to the FMCG firms which have facing number of problems for not gaining profit margin as well as increasing their market share. My study will definitely help out them to gain competitive advantage, increase their revenue and also increase the customer more significantly in a such way which will increase their loyalty towards the FMCG Brand.

LIMITATION OF THE STUDY:

Study may feel constraint from following factor:

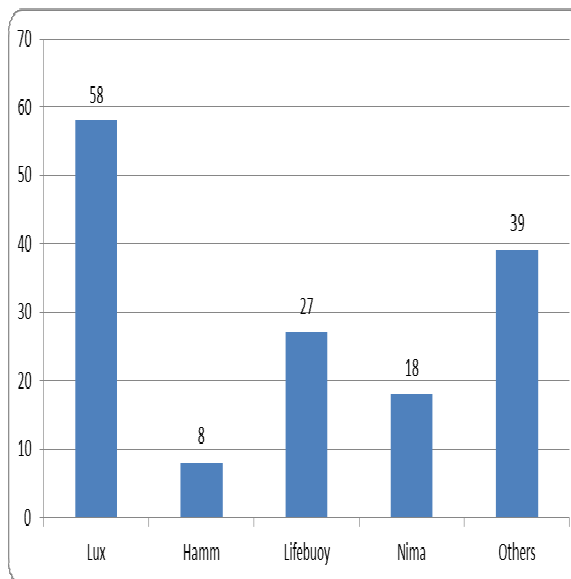
- 1) Personal factor
- 2) Resource Constraint
- 3) Time Constraint

DATA ANALYSIS AND INTERPRETATION

Consumers

Q1. Which brand of Soap / Detergent do you use?

Bathing –soaps	Respondents
Lux	58
Hamm	8
Lifebuoy	27
Nima	18
Others	39

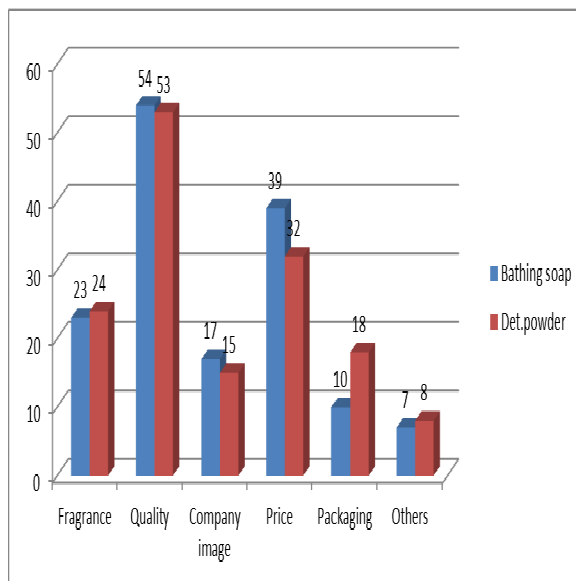


Interpretation:

The above question has been formed to know the soaps and detergents at the top of the mind of the customers. It shows those consumers' purchase and use of that particular brand. It will help to the company to know the market scenario and the major brands in the market. Form the above result it is clear that majority customers having the same brand as the image in their mind, whereas others category is also showing the higher graph than these 3 major players(Hamam, Lifebuoy, Nima).

Q. Which factors do you normally consider while purchasing a particular brand of Soap / Detergents?

Factors	Bathing soap	Det.powder
Fragrance	23	24
Quality	54	53
Company image	17	15
Price	39	32
Packaging	10	18
Others	7	8



Interpretation:

The objective behind this question is to know the effect of influencing factors in the purchase decision of the soaps and detergent powders. It mainly contains the factors like, quality which plays an important role in the purchase decision of the soaps and detergents both.

If we look at the graph of the soaps and detergent it shows quality as the most influencing factors in the purchase decision while price is also an important for purchase decision.

Q. Which of the following promotional schemes you have come across so far?

Promotional schemes	Respondents
Coupons	16
price off	84
Freebies	24
scratch cards	12
lucky draw	9
Bundling	31
extra qty.	44



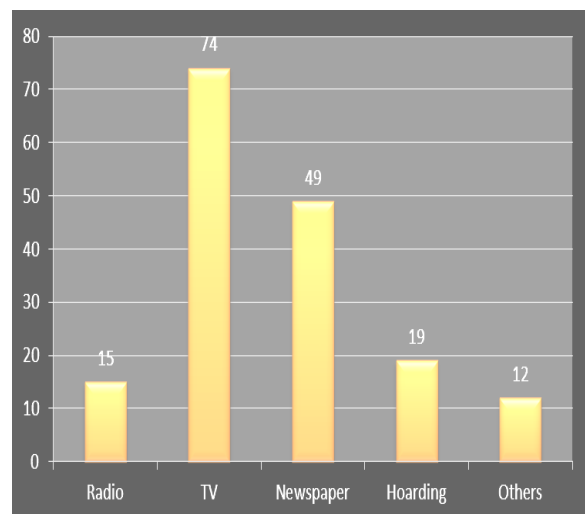
Interpretation:

The above stated question clearly states the awareness of promotional schemes offered in the market by the marketers to attract more and more consumers.

The results show that price off and extra quantity is the two main offers/schemes which consumers have come across at the time of purchase. It will help the manufacturers and marketers too how to launch their new products in the market with which schemes.

Q. Which medium do you feel is suitable to promote the various promotional schemes?

Source	Respondents
Radio	15
TV	74
Newspaper	49
Hoarding	19
Others	12



Interpretation:

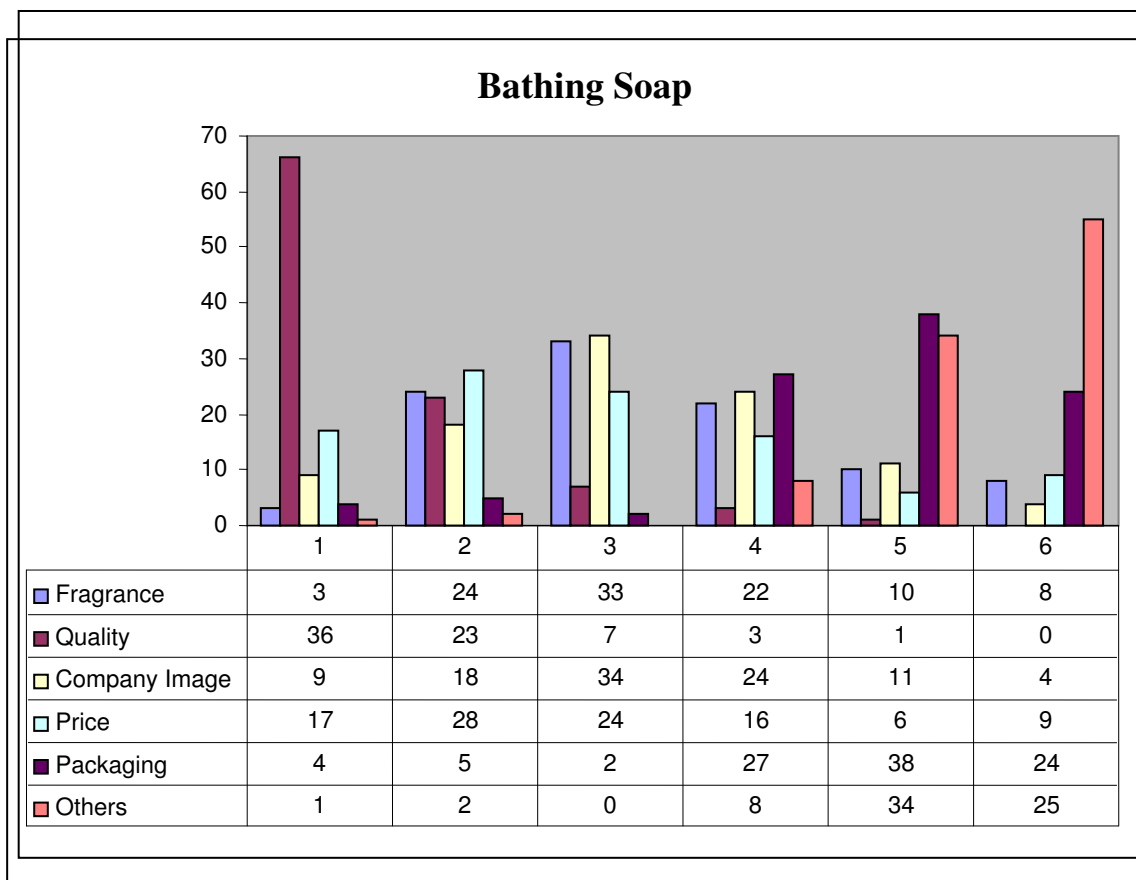
This question gives stress on the media habit of the people and through which the product should be launch or they think it would be better than other Medias.

The above result shows TV as the best media to market the product which will cover majority of the viewer ship. On the second place it shows news papers as the media to promote the product in the market.

Retailers

Q. Rank the following factors that customers look for in the purchase of Soap / Detergent. (Rank from 1 to 6)

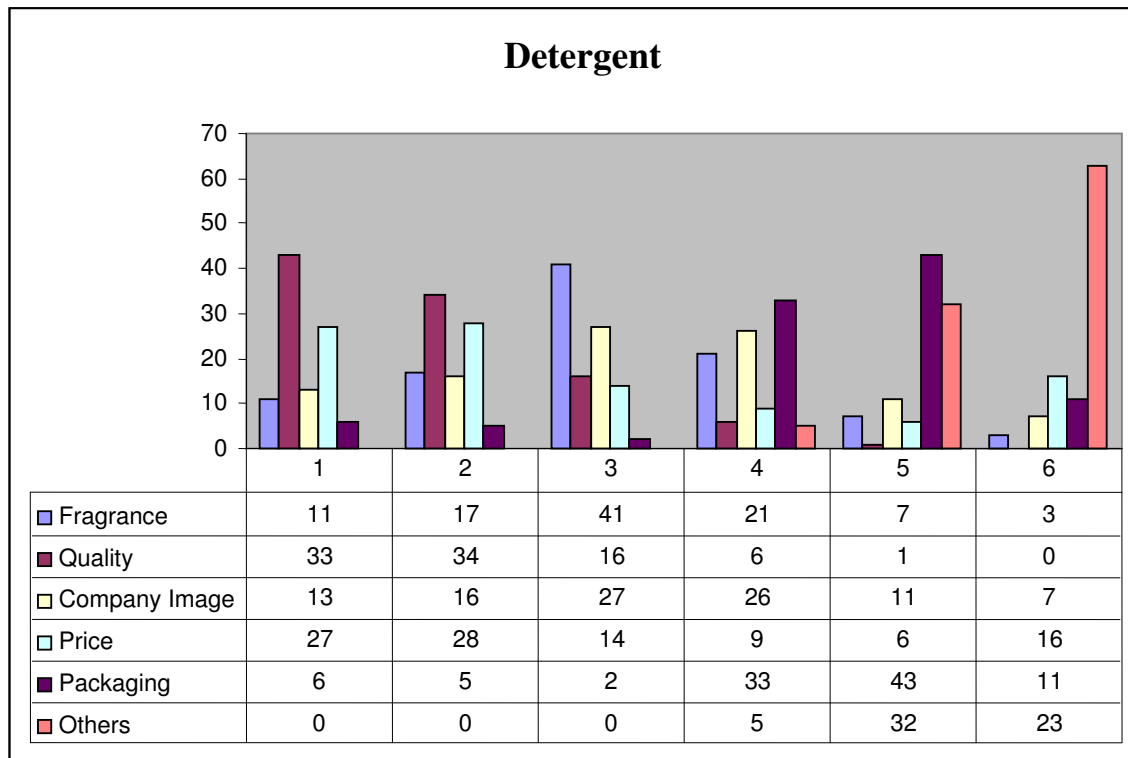
Factors	1	2	3	4	5	6
Fragrance	3	24	33	22	10	8
Quality	36	23	7	3	1	0
Company Image	9	18	34	24	11	4
Price	17	28	24	16	6	9
Packaging	4	5	2	27	38	24
Others	1	2	0	8	34	25



Interpretation: It gives an idea about the priority the influencing factors too the consumers and also the weight age of that factor over other factors.

In the above result people are more quality and price oriented. On the other hand people are also conscious about the company image. Because sometimes the consumer remember that name of the product by the company name and also from the past performance of that company. Fragrance and packaging are not influencing factor as per the respondents.

Factors	1	2	3	4	5	6
Fragrance	11	17	41	21	7	3
Quality	33	34	16	6	1	0
Company Image	13	16	27	26	11	7
Price	27	28	14	9	6	16
Packaging	6	5	2	33	43	11
Others	0	0	0	5	32	23



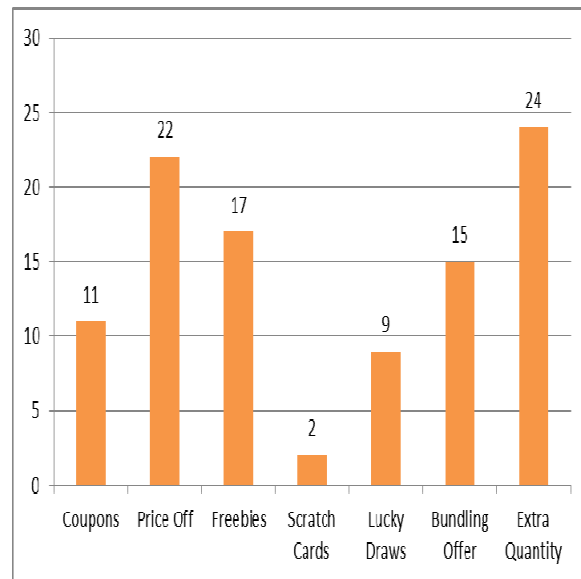
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In the above result people are more quality and price oriented. On the other hand people are also conscious about the company image. Because sometimes the consumer remembers that name of the product by the company name and also from the past performance of that company. Fragrance and packaging are also play important role for purchasing detergent powder.

Q. schemes?

Promotional Schemes	Respondents
Coupons	11
Price Off	22
Freebies	17
Scratch Cards	2
Lucky Draws	9
Bundling Offer	15
Extra Quantity	24



Interpretation:

The above stated results show the demand of various types of promotional schemes in the market by the consumers. Almost all types of schemes are being demanded by the consumers in the market but there are three major schemes which consumers generally look at the time of purchase or before that.

Price off, product bundling and extra quantity are more demanded by the consumers over others schemes.

Hypothesis testing

HO: There is a no effect of trade promotion on various brands and are similar.

H1: There is a effect of trade promotion on various brands and are similar.

	NIRMA	HUL	P&G	GODREJ
Extra Margin	17	13	13	12
Extra Units	13	16	14	14
credit facility	29	24	28	23
Gifts	21	19	18	17
promo. Exp.	4	4	5	7
	16.8	15.2	15.6	14.6

T-test

	NIRMA	HUL	P&G	GODREJ
Extra Margin	17	13	13	12
Extra Units	13	16	14	14
credit facility	29	24	28	23
Gifts	21	19	18	17
promo. Exp.	4	4	5	7
	16.8	15.2	15.6	14.6
SD	8.304216	6.675328	7.499333	5.314132
SE	3.713758	2.985297	3.353804	2.376552
Calculated T-test	4.523719	4.092889	4.651435	6.143354
Df	4	4	4	4
table value	2.132	2.132	2.132	2.132

All the big players provide promotion to the retailers due to cut throat competition; Interpretation: from the t-test, it is clearly seen that there is a effect of trade promotion on various brands and are similar too. As $p > 0.05$, it is the evidence that the null hypothesis is rejected.

Findings:

- Quality as the most influencing factors in the purchase decision while price is also an important for purchase decision.
- Schemes always attract more and more consumers towards particular brand. Simultaneously it gives idea about the factors which consumers look most in the product before they make final decision

- Price off and extra quantity is the two main offers/schemes which consumers have come across at the time of purchase
- TV as the best media to market the product which will cover majority of the viewer ship. On the second place it shows news papers as the media to promote the product in the market
- People are not much aware of the schemes which continue in the market it may be because of the present stock of the product at their place.
- Extra quantity with less or same price, more satisfaction, quality and other factors influence consumers to switch over too other brands.
- Retailer stocks all types of soap and detergent because of competition.
- People are more quality and price oriented.
- Consumer remember that name of the product by the company name and also from the past performance of that company
- Consumer remembers that name of the product by the company name and also from the past performance of that company
- Retailers are not suggest to purchase particular brand because of personal relation or that customer are brand loyal

Recommendation:

Sales promotion should not be used in isolation but need to be integrated with other tools and in line with the overall positioning of the brand. Also the importance of the role of mass media came out clearly in the study.

Companies need to create sufficient awareness about sales promotion schemes through mass media in order to create awareness. FMCG products are low involvement products characterized by switching behavior. Also the person going to the shop for the purchase of soap is the final decision maker of the brand. Hence it is essential that companies need to design attractive, striking, visible POPs for scheme announcements.

With respect to nature of scheme, the finding suggested that premium (free gift) was popular with companies. While both retailers and consumers preferred price offs. So it is necessary that the perceived value of a free gift has to be appealing and high for the target consumers.

Companies need to systematize information flow regarding sales promotion activities particularly at dealer and retailer level. Ensuring proper information flow and devising checks and measures to reduce misappropriations and implementation flows should be considered critical aspects for the success of sales promotion activities by the companies. As retailing is fragmented, direct reach by companies is next to impossible. Through dealers and proper feedback mechanism, companies keep in touch with the market.

Developing a system to tap such responses from time to time both at retailer and consumer level would be

helpful for planning future sales promotion activities. In order to build trust and commitment companies should tap preferences, perceptions of retailers as well as consumers.

Limitations of the study

- I considered Mehsana city only because of limited time duration.
- Due to this, sample size is only 200, which is not very large.
- All the respondents could not fill their questionnaire on their own due to language problem and also problem of time and lack of positive behavior.
- Respondent may give biased answer due to some lack of information about other brands.
- Findings of the study are based on the assumption that the respondents have given correct information.

Conclusion

The study reflects that the use of sales promotion undeniably has increased over the years in India. Future holds lot of promise for such schemes across wider range of product-markets. Sales Promotion has ceased to be major differentiator at least in the metros, with almost all companies offering similar freebies and gifts. As a result now marketers have to find out some innovative ways of sales promotion to differentiate from competitors. Currently Price off and Buy one get one free offers are very effective to attract the consumers towards the products.

One of the very important facts we came to know from this project is that sale of goods which contain large quantity and having big packaging e.g. detergent are stagnating because consumer prefer to buy small pack goods, the reasons are: small pack goods reduce risk of bad quality, It had low cost or say price, and last but important factor i.e. mentality to purchase just to try first. Sales of small pack goods are quite high, but from the company's point of view small pack goods is less profitable compare to large pack goods. So here marketer tries to increase sales of large pack goods by using sales promotion tactics like price off and percentage extra.

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