



Full Length Review Article

RURAL MARKETING AND FMCG PRODUCTS OF HUL: OPPORTUNITIES AND CHALLENGES

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ABSTRACT

Rural Marketing is defined as any marketing activity in which the one dominant participant is from a rural area. This implies that rural marketing consists of marketing of inputs (products or services) to the rural as well as marketing of outputs from the rural markets to other geographical areas. Rural marketing is a very wider term in itself. It is the marketing which is specially meant for the rural people and the products which are specially meant for them and to make them aware about the products which they are not known. Through this paper the effort has been done to know about the rural markets and their impact in terms of opportunities and challenges on HUL's FMCG products. This paper tries to understand the rural market, importance of rural marketing and status of rural market. The main aim of the study to observe the potentiality of Indian rural markets and find out various problems are being faced by rural marketer.

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INTRODUCTION

Marketing is defined as any marketing activity in which the one dominant participant is from a rural area. This implies that rural marketing consists of marketing of inputs (products or services) to the rural as well as marketing of outputs from the rural markets to other geographical areas. Products which have a quick turnover, and relatively low cost are known as Fast Moving Consumer Goods (FMCG). FMCG products are those that get replaced within a year. FMCG Industry is characterized by a well-established distribution network, low penetration levels, low operating cost, lower per capita consumption and intense competition between the organized and unorganized segments. Hindustan Unilever Limited (HUL) is India's largest Fast Moving Consumer Goods Company with a heritage of over 80 years in India and touches the lives of every two out of three Indians. Marketing in rural India poses several challenges, apart from the geographical distance and remoteness of various villages. However, the proliferation of the media, especially the increasing reach of the electronic media in rural India, has provided exposure to various products and services, which were hitherto considered the domain of urban users.

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This has resulted in demand in some cases and the aspiration to acquire such products in other cases. In the last one decade or so, a number of companies, including multinationals, have begun to woo the rural consumer. In 1931, Unilever set up its first Indian subsidiary, Hindustan Vanaspati Manufacturing Company, followed by Lever Brothers India Limited (1933) and United Traders Limited (1935). These three companies merged to form HUL in November 1956; HUL offered 10% of its equity to the Indian public, being the first among the foreign subsidiaries to do so. Unilever now holds 67.25% equity in the company. The rest of the shareholding is distributed among about three lakh individual shareholders and financial institutions. In January 2000, in a historic step, the government decided to award 74 per cent equity in Modern Foods to HUL, thereby beginning the divestment of government equity in public sector undertakings (PSU) to private sector partners. HUL's entry into Bread is a strategic extension of the company's wheat business. In 2002, HUL acquired the government's remaining stake in Modern Foods. In 2003, HUL acquired the Cooked Shrimp and Pasteurized Crabmeat business of the Amalgam Group of Companies, a leader in value added Marine Products exports. HUL launched a slew of new business initiatives in the early part of 2000's. Project Shakti was started in 2001. It is a rural initiative that targets small villages populated by less than 5000 individuals. It is a unique win-win initiative that catalyzes rural affluence even as it benefits business.

Currently, there are over 45,000 Shakti entrepreneurs covering over 100,000 villages across 15 states and reaching to over 3 million homes. In 2002, HUL made its foray into Ayurvedic health & beauty centre category with the Ayush product range and Ayush Therapy Centres. Hindustan Unilever Network, Direct to home business was launched in 2003 and this was followed by the launch of 'Pureit' water purifier in 2004. In 2007, the Company name was formally changed to Hindustan Unilever Limited after receiving the approval of shareholders during the 74th AGM on 18 May 2007. Brooke Bond and Surf Excel breached the Rs. 1,000 crore sales mark the same year followed by Wheel which crossed the Rs. 2,000 crore sales milestone in 2008.

On 17th October 2008, HUL completed 75 years of corporate existence in India. In January 2010, the HUL head office shifted from the landmark Lever House, at Backbay Reclamation, Mumbai to the new campus in Andheri (E), Mumbai. On 15th November, 2010, the Unilever Sustainable Living Plan was officially launched in India at New Delhi. In March, 2012 HUL's state of the art Learning Centre was inaugurated at the Hindustan Unilever campus at Andheri, Mumbai. In April, 2012, the Customer Insight & Innovation Centre (CiiC) was inaugurated at the Hindustan Unilever campus at Andheri, Mumbai. HUL completes 80 years of corporate existence in India on October 17, 2013.

Objectives of the study

- To identify why HUL need rural marketing.
- To identify the factors that contributes to rural boom.
- To identify the major problems in tapping the rural market.
- To identify the potential of HUL's FMCG products in rural India.
- To identify the major opportunities for HUL's FMCG products available in the rural area.
- To study the major challenges faced by marketer in rural market.

Review of Literature

J. Thomas Russell and W Rolland Lane (1996) [1] have defined advertising in the following words "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. According to Deepti Srivastava (December, 2010) [2] Rural markets are rapidly growing in India but have often been ignored by marketers. 53% percent of Fast Moving Consumer Goods (FMCG) and 59 % of consumer durables have market in the rural belts. Md. Abbas Ali, Venkat Ram Raj Thumiki and Naseer Khan stated (2012) [3] that Rural marketers should design innovative promotional strategies for rural markets that can express messages in an easy way to the villagers and compatible with their education and understanding levels. It is recommended to offer FMCG that lasts long. Rural consumers associate long lasting feature with bigger size and/or hardness of the product. Hence, it is suggested to promote FMCG in these lines. Quality is important in the context of rural

purchase and consumption of FMCG as rural customers prefer quality FMCG. Experts like, Harish Bijoor, Rama Bijapurkar and C.K.Prahalad and many researchers have been emphasizing on this fact. Hence, it is recommended not to compromise on the quality of FMCG. Low prices have to be charged while maintaining the quality. Pawan Kumar & Neha Dangi (August 2013) [4] that rural India offers huge opportunities which companies can tap for their growth and development. However, Companies face many challenges in tackling the rural markets. 833 million people reside in India as compared to 377 millions in urban India so vast untapped opportunities are available in rural India, but marketer unable to tap these opportunities because of lack of infrastructure facilities. Literacy rate is low in rural area so people are unable to identify brand difference.

Avinash Pareek & Dr. Satyam Pincha (Jan. - Feb. 2013) [5] stated that the effective communication is an important tool to reach the rural audience. Among the mass media at some point of time in the late 50's and 60's radio was considered to be a potential medium for communication to the rural people. Another mass media is television and cinemas. But now a day the scenario has changed. Television, telephone, mobile, internet etc. reached to every house in the rural India. Ultimately the winner would be the one with the required resources like time and money and also with the much needed innovative ideas to tap the rural markets. Thus looking at the opportunities which rural markets offer to the marketers it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage. According to Mr. Sunil V. Chaudhary (February, 2015) [6] it is not only the size of the population that makes rural markets very important for marketers. Rural markets offer immense potential for market expansion and growth. For example, in India, the consumption in rural markets was growing at an annual compounded growth rate of around 4% for the last 20 years; but this is estimated to grow by over 5% in the next two decades and this is expected to treble by 2025. As per the McKinsey Global Institute forecasts, spending per household in rural India would reach the 2008 levels prevailing in Urban India by the year 2017. According to the HUL financial results for September Quarter 2015 [7] Lower input costs resulted in a 320 bps reduction in cost of goods sold. Brand investments were sustained at competitive levels across segments and overall A&P was up 220 Crores (+230bps). Profit before interest and tax (PBIT) grew by 7% and PBIT margin improved by +40 bps. Profit after tax before exceptional items, PAT (bei), grew by 1% to Rs.970 Crores while Net Profit was at Rs.962 Crores, the growth rate impacted by the exceptional income from the sale of properties in the base quarter and a higher effective tax rate. The Board of Directors have declared an interim dividend of Rs 6.5 per equity share of face value Re. 1 each, for the year ending 31st March 2016.

Challenges of HUL's FMCG products in Rural Market

- Intense and increasing competition amongst other FMCG companies.
- FDI in retail thereby allowing international brands.
- Competition from unbranded and local products.

- Market share is limited due to presence of other strong FMCG brands
- HUL products have stiff competition from big domestic players and international brands.

Opportunities of HUL's FMCG products in Rural Market

- Tap rural markets and increase penetration in urban areas.
- Mergers and acquisitions to strengthen the brand in rural markets.
- Increasing purchasing power of people thereby increasing demand of HUL products.
- As the electronic ethos and IT culture moves into rural India, the possibility of change are becoming visible.

Conclusion

- Advertisements through electronic media are preferred over other method of communication in rural areas.
- HUL can benefit most if they can make the rural people feel that they value them as their customers.
- Regional languages are playing vital role in the rural marketing.
- Rural customers are increasingly becoming brand conscious as well as price and discounts so price and discount should be according to the desire of the customer.
- The decision making in the rural market are taken by self followed by spouse so must be focus on them through different- different vents or programmes like chaopal etc.

- The rural consumers usually do not experiment with a new product unless something triggers them so in this case product must be attached with the old product.
- Must be attract the middle man.

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