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RESEARCH ARTICLE

A STUDY ON FACTORS AFFECTING PURCHASE DECISION BASED ON AWARENESS, AFFORDABILITY, ADOPTABILITY AND AVAILABILITY IN REFERENCE TO HUL AND FMCG COMPANIES IN RURAL INDIA

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ABSTRACT

Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit 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". 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 the factors which affect the buying decision of rural consumers on HUL's FMCG products. This paper tries to understand the rural market, importance and status of rural market in the context of FMCG products. The main aim of the study to observe the strength of HUL's FMCG in Indian rural markets especially in U.P East and find out various problems are being faced by rural marketer.

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INTRODUCTION

Marketing is the art of selling products. Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit 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". 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. 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. 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 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

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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 'Pure it' 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 Back bay 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 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

J. Thomas Russell and W Rolland Lane (1996) 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 **Berend Wierenga & Han Soethoudt (August 2009)** Consumer sales promotions are usually the result of the decisions of two marketing channel parties, the manufacturer

and the retailer. In making these decisions, each party normally follows its own interest: i.e. maximizes its own profit. Unfortunately, this results in a suboptimal outcome for the channel as a whole. Independent profit maximization by channel parties leads to a lack of channel coordination with the implication of leaving money on the table. This may well contribute to the notoriously low profitability of sales promotions. According to **Deepti Srivastava (December, 2010)** 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) 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.

Dr. Sukhmani et al. (March 2012) stated that the role of the elements of promotion mix in influencing the rural consumers, 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.

Avinash Pareek & Dr. Satyam Pincha (Jan. - Feb. 2013) 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 **Björn Frank et al. (July 2013)** stated that customers' repurchase behavior leads to long-term corporate profitability, managers should know the success factors influencing repurchase intent. Knowledge of gender differences in these success factors would enable managers to separately optimize repurchase intent for men and women. Also stated that public brand image more strongly influences customer satisfaction and repurchase intent for women than for men. Perceived value has a weaker effect on repurchase intent for women than for men.

According to **Mr. Sunil V. Chaudhary (February, 2015)** 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.

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

- i) No direct interaction with customers because the mediator cannot pass actual information.
- ii) Unprepared to address the expectations.
- iii) The company's large size also poses a problem, since it does not give HUL the agility to address the competition it faces from national and regional 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

- i) 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.
- ii) Lack of proper communication because there is discrimination as distributors didn't get credit from companies but they had 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

- i) The rural distributors could not run their businesses without credit.
- ii) Lack of proper training and some retailers had grievance over excessive lead time
- iii) No direct reach in rural markets as compare to other competitors.
- iv) There is a dearth of promotional schemes in rural markets.

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

Causes of existence of GAP 4 in HUL

- i) Lack of internal communication because channel conflict was there among the rural and urban distributors over the jumping of territories allotted by the companies.
- ii) Difference in attitude, in this way they do not buy products like ponds etc.

Problems of HUL's FMCG products in Rural Market

- Intense and increasing competition amongst other FMCG companies.
- Competition from unbranded and local FMCG products.
- Market share is limited due to presence of other strong FMCG brands.
- 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.
- As the electronic ethos and IT culture moves into rural India, the possibility of change are becoming visible.
- Tap that rural market where most of the competitors are local brands.
- Capture the consumers through rural games or events.

Conclusion

- Advertisements through television, internet, and social 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.
- 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 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 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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