

# Dimensions of Rural Marketing Strategies – An Analytical Study using Structural Equation Model

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## Abstract

**Background/Objectives:** The Indian rural markets are opened with great opportunities to the FMCG marketers. This study focuses to find the challenges and strategies of rural marketing and also the effectiveness of current marketing strategies adopted by the marketers. **Methods/Statistical Analysis:** The structured questionnaire was used to collect the response from rural customers in Kanyakumari District, Tamilnadu. The Stratified random sampling technique was used to find the 506 respondents. Structural Equation Model was used to analyze the relationship between the variables and also analyze effectiveness of rural marketing strategies. **Findings:** This study found that the availability, awareness, affordability and acceptability are major challenges to the rural marketers. The current marketing strategies are less effective to meet the challenges. So the marketers have to resign the rural marketing strategies. The current marketing strategies are less effective to meet the challenges. So the marketers have to resign the rural marketing strategies. **Applications/Improvements:** The approach, strategies and marketing mix need to be formulated and examined from rural consumer's prospective to be successful in the rural market.

**Keywords:** Dimensions, Decision, Effectiveness, FMCG, Rural Market

## 1. Introduction

The role of marketing in a firm, the strategies the firm pursues to influence the consumers in their buying decisions and eventually meeting their needs have had gone through a dynamic change over the years. Growth of economies world-wide, shifts in demographic characteristics of population and rapid globalization, among others, have prompted companies, especially multi-nationals, to rethink and re-engineer their corporate and marketing strategies to internationalize their presence, stay profitable and competitive in volatile markets.

The 72% of India's population or in other words, 12% of world population live in Indian rural areas, providing a population dividend to Fast Moving Consumer Goods (FMCG) companies. Rural India has opened up new business opportunities as well as challenges. In

recent decades, the Indian rural market gained significant business interest and potential penetration as the overall economic growth of the country continued to lead to an improvement in the living standards of the rural people as well as changes in their life style preferences. Additionally, rural market has been the attention of FMCG companies because of the lack of strong presence of their brands in most rural pockets as well as the high growth potential sector offers. The long term growth and survival of companies, thus, depend on how they could leverage their presence in the national scene to understand the dynamics of the Indian rural market and then meet the unique challenges it presents. Factors such as low density of population and dispersed villages, low literacy, diverse culture and social values, inadequate infrastructure, etc, may create initial difficulties to enter the rural market and perform. Beyond the entry level, the companies

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need to face the critical challenges of the rural marketing mix. The rural marketing challenges are Awareness, Availability, Affordability and Acceptability. For companies working to tap the rural market, the 4P's (Product, Promotion, Price and Place) of market mix has given way to these challenges (4A's) of rural market. Major domestic and multinational FMCG Companies are already active in the rural market with various strategies to meet the challenges. Selected few are Hindustan Unilever Limited (HUL), ITC, Procter and Gamble, Godrej, Nestle, Colgate – Palmolive, Britannia and Coca-Cola. The Indian FMCG giants, HUL and ITC, implemented different projects in rural market such as Shakti, E-choupal etc. to entice their target groups and capture a market share. For example, the rural market recorded 46% of soft drinks, 49% of motor cycles, 59% of cigarettes and 53% of FMCG sales<sup>1,2</sup>.

<sup>3</sup>Concluded that the journey of marketers to the rural markets has indeed been one of the surmounting one hurdles after another. These include the 4As – Affordability, Acceptability, Availability and Awareness. Adopting themselves to the rural atmosphere, marketers quickly innovated along all elements of the 4Ps of marketing mix – promotion, pricing, place and product.

<sup>4</sup>Observed that the marketers need to create value for all the 4A's (Awareness, Acceptability, Affordability, Availability) and 4P's (Product, Price, Place, Promotion). Its time for the marketers to walk an extra mile to understand and tap the markets effectively without squeezing them.

<sup>5</sup>Remarked that there is no doubt that the rural India offers tremendous opportunity for any company to tap. The mantra for success can be further augmented by the Four A's (Affordability, Availability, Accessibility, and Awareness) framework. These factors will go a long way in providing the company with market value coverage along with a steady source of revenues.

<sup>6</sup>Observed that the most significant influences in making purchase decision are the availability of the branded products in the nearby convenient stores, social status. It is also observed that the products and brands suggested by the peers or products which are used by their neighbors are very important factors that influence purchase decision.

<sup>7</sup>Remarked that the factors of Four A's such as Affordability, Availability, Awareness and Acceptability affect the purchase decision of rural consumers and these are key factors to the survival of FMCG companies in rural market.

<sup>8</sup>Stated that socio-Cultural factors influence rural consumer behavior. The acceptability and affordability are the issues in rural market. The communication through local language creates awareness about the brands in rural market. <sup>9</sup>Stated that the reduction of risk in rural marketing to overcome the challenges are Availability, Affordability, Acceptability and Awareness. Also found that the new phase of rural consumption appears to provide a great opportunity for the FMCG sectors. <sup>10</sup>Pointed out that rural people account for 80% of sales for FMCG sales and a successful penetration into the hearts and wallets of the rural customer depends on the following Four A's; Availability, Affordability, Acceptability and Awareness.

## 2. Research Methodology

### 2.1 Statement of the Problem

The rural markets are characterized by unfamiliar complexities and challenges. Such challenges in rural markets are in relation to Awareness, Availability, Affordability and Acceptability of manufactured FMCGs. The companies should learn to overcome such challenges in order to achieve their corporate goals as well as make a profit. The FMCG companies formulate and implement a number of rural-centric marketing strategies and special projects to overcome these challenges. However, the companies may be short of proper evaluation indicators to gauge and analyze the effectiveness of their rural marketing strategies, in view of the complex/diverse marketing environment in rural sector. This study is intended to identify the effectiveness of present rural marketing strategies of FMCG companies with special reference to Kanyakumari District, Tamilnadu.

### 2.2 Scope of the Study

The Indian rural market with its vast size and demand base offers great opportunities to marketers. The success of a brand in the Indian rural market is as unpredictable as rain. It has always been difficult to gauge the rural market. Many brands, which should have been successful, have failed miserably. Actually the market characterized with variety of challenges, such as Awareness, Affordability, Acceptability and Availability. The growth in the population, education, infrastructure and purchasing power of rural consumers also leads to change their consumption patterns. The marketers need to meet the challenges and cope with the changes in the rural market. So the marketers

have developed and implemented strategies to gain their profitability. The rural marketing strategies are plays vital role in marketing of fast moving consumer goods and there is more scope for extensive research in this area.

## 2.3 Objectives of the Study

- To understand the challenges and strategies of rural marketing.
- To analyze the relationship between the dimensions of rural marketing strategies.
- To analyze the effectiveness of rural marketing strategies.

## 2.4 Need of the Study

Rural marketing in India has been evolving over the years as a consequence of growth and economic development in the country and changes in the quality of life of people. In India leaving out a few metropolitan cities and industrial townships, people in other centers are part of the rural market. However, rural consumers are different from their counter parts in many ways. Although their number is growing to form a sizeable market for the corporate, Indian rural consumers are different in terms of income and propensity to consume, influence of culture in life style and choices, mobility pattern, and purchase decision from their counter- parts. The modernization of farming practices has been vastly influential in the life style choices of the village communities across the country. The changing life style has also been prompted by development of education, better infrastructure and communication, increasing disposable income and increase in usage of manufactured products. The FMCG companies have been active in harnessing this opportunity by implementing appropriate strategies in order achieve a higher sales turnover as well as a higher market share in the rural market. The marketing strategies play a key role in rural marketing to meet the needs of the customers and thereby meet the challenges in rural marketing for FMCGs companies that are unique with no comparison to urban markets. The rural sector in Kanyakumari District has witnessed rapid changes over the years in rural consumer behaviors, shifts in life styles and other human development indicators that favor this research study more.

## 2.5 Period of Study and Geographical Area

The Primary data was collected during the period from December 2012 to November 2014. The Secondary

data related to strategies for rural marketing have been collected from 1998 to 2014. The geographical area of the study covers the southernmost district of India, Kanyakumari District.

## 2.6 Sampling Design

### 2.6.1 Sample Size

The determination of sample size

$$\text{Sample size } n = (ZS/E)^2$$

Where,

Z = Standardized value corresponding to a confidence level of 95% = 1.96

S = Sample SD from Pilot study of 120 sample = 0.574

E = Acceptable Error = 5% = 0.05

Hence, Sample size =  $n = (ZS/E)^2 = (1.96 \cdot 0.574 / 0.05)^2 = 506.286 = 506$

### 2.6.2 Sampling Method

The Stratified Sampling technique was used to collect filled in questionnaire from 506 rural consumers. The rural consumers are geographically located different villages under Four Taluks in Kanyakumari District.

### 2.6.3 Tool Used for Analysis

Structural Equation Model is used for analysis. Structural equation modeling is a statistical technique for testing and estimating causal relations using a combination of statistical data and qualitative causal assumptions. SEM is a combination of factor analysis and multiple regressions. It also goes by the aliases “causal modeling” and “analysis of covariance structure”. The variables in SEM are measured (observed) variables (indicators) and factors (latent variables). The variables and factors in SEM may be classified as “independent variables” and “dependent variables”.

## 3. Analysis and Interpretation

### 3.1 Confirmative Factor Analysis

Table 1 shows the comparative factor analysis on strategies for rural marketing using the to confirm the reliability of the factors and variables with the study. In this study, seven factors and 92 variables were checked.

Structural equation modeling was used to check the suitability of samples collected. The measurement model to analyze the validity and reliability questionnaire used

**Table 1.** Confirmative factor analysis on strategies for rural marketing

Sl. No	Factor	Number of Variables	Chi – Square Value	P Value	GFI	AGFI	CFI	RMR	RMSEA	Number of Variables after CFA	Crossbach Alpha Score
1.	Awareness	16	30.875	0.157	0.988	0.973	0.994	0.028	0.024	10	0.8088
2.	Availability	12	28.471	0.127	0.988	0.974	0.992	0.040	0.027	9	0.7744
3.	Affordability	12	28.730	0.093	0.988	0.972	0.986	0.041	0.029	9	0.7169
4.	Acceptability	15	15.932	0.597	0.983	0.983	1.000	0.025	0.000	9	0.7084
5.	Motivation	9	4.765	0.574	0.997	0.989	1.000	0.018	0.000	6	0.7268
6.	Consumer Purchase Decision	13	25.141	0.121	.988	0.976	0.989	0.031	.028	8	0.7410
7.	Effectiveness of Rural Marketing Strategies	15	32.941	0.238	0.987	0.975	0.996	0.029	0.019	10	0.8214
<b>Suggested Value</b>				P-Value >0.05	>0.90 ( Hair et al. 2006)	> 0.90 (Daire et al., 2008)	>0.90 (Hu and Bentler, 1999)	< 0.08 ( Hair et al., 2006)	< 0.08 ( Hair et al., 2006)	,	,

in the survey first, this was the recommendation of<sup>11</sup> and by using AMOS version 16 the structural model was analyzed. The highly supporting tool to find out the compatibility and casual relationship between variables is

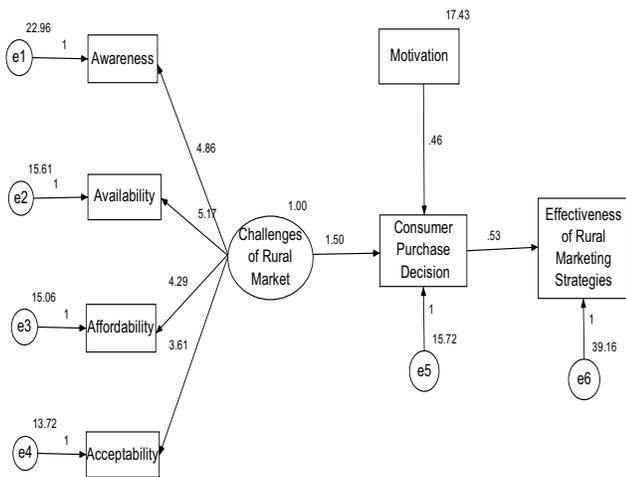
Structural equation modelings analyze the theoretical model fit of the data. As per the result, Chi square statistics with  $p = 0.000$  does not show a good fit of the model. Nevertheless according to<sup>12</sup>, a sample size of over 200 (506 in this research), could affect Chi-Square statistics to indicate a significant probability level ( $p=0.00$ ). Consequently, this model is considered for further interpretation in the goodness of fit measures.

RMSEA is less than or equal to 0.08, CFI is greater than or equal to 0.90 are the acceptable model criteria, stated<sup>13</sup>. According to<sup>14</sup>, to test the good fit between the data and the suggested measurement model to use chi-square Goodness to Fit (GFT) test the value of the probability is 0.9 equal or higher indicates a good fit. From<sup>15</sup>, the value of GFI of this research study was more than the value recommended 0.090, so other measures also fitted satisfactorily; AGFI, CFI, and RMR with  $\chi^2/df$  and RMSEA indicated the model is a good absolute fit. Goodness of fit indexes support the model fit and these put emphasized on indexes indicate of this structural model acceptability is shown in Figure 1.

The variables used in the structural equation model are;

Observed, Dependent Variables

1. Awareness
2. Availability



**Figure 1.** Structural Equation Model on Strategies For Rural Marketing

3. Affordability
4. Acceptability
5. Consumer Purchase Decision
6. Effectiveness of Rural Marketing Strategies

Observed, Independent variables

1. Motivation

Unobserved, Independent variables

1. Challenges
2. e1: Error Term for Awareness
3. e2: Error Term for Availability
4. e3: Error Term for Affordability
5. e4: Error Term for Acceptability
6. e5: Error term for Consumer Purchase Decision
7. e6: Error Term for Effectiveness of Rural Marketing Strategies

The Total Numbers of Variable in this SEM are

Total f Variables in this Model:	14
Total Observed Variables:	7
Total Unobserved Variables:	7
Total Exogenous Variables:	8
Total Endogenous Variables:	6

Here Table 2 shows the value of un-standardized coefficient of challenge is 4.864 determined the impact of challenge towards awareness, when the other variables are constant. The calculated value is positive that means such impact is positive that the level of rural marketing strategies meet the challenges in rural market mostly depends on the consumers' awareness about Branded FMCG would make positive change 4.864 for change in every unit at one percentage (1%) significant level. The value of un-standardized coefficient of challenge is 5.173 determined the impact of challenge towards availability, when the other variables are constant. The calculated value is positive that means such impact is positive that the level of rural marketing strategies meet the challenges in rural market mostly depends on the availability of Branded FMCG would make positive change 5.173 for change in every unit at one percentage (1%) significant level. The value of un-standardized coefficient of challenge is 4.288 determined the impact of challenge towards affordability, when the other variables are constant. The calculated value is positive that means such impact is positive that the level of rural marketing strategies meet the challenges in rural market mostly depends on the availability of Branded FMCG in the rural market would make positive change

**Table 2.** Structural Equation Model Analysis - Variables

Variables			Unstandardized Co-Efficient	S.E.	Standardized Co-Efficient	T Value	P Value
Awareness	<---	Challenge	4.864	0.287	0.712	16.942	<0.001*
Availability	<---	Challenge	5.173	0.265	0.795	19.538	<0.001*
Affordability	<---	Challenge	4.288	0.240	0.741	17.842	<0.001*
Acceptability	<---	Challenge	3.613	0.219	0.698	16.510	<0.001*
Consumer Purchase Decision	<---	Challenge	1.501	0.200	0.322	7.523	<0.001*
Consumer Purchase Decision	<---	Motivation	0.463	0.043	0.415	10.828	<0.001*
Effectiveness of Rural Marketing Strategies	<---	Consumer Purchase Decision	0.535	0.060	0.370	8.952	<0.001*

Note: \*\* denotes significant at 1% level

4.288 for change in every unit at one percentage (1%) significant level. The value of un-standardized coefficient of challenge is 3.613 determined the impact of challenge towards acceptability, when the other variables are constant. The calculated value is positive that means such impact is positive that the level of rural marketing strategies meet the challenges in rural market mostly depends on the consumers' acceptability about Branded FMCG would make positive change 3.613 for change in every unit at one percentage (1%) significant level. The value of un-standardized coefficient of challenge is 1.501 determined the impact of challenge towards consumer purchase decision, when the other variables are constant. The calculated value is positive that means such impact is positive that the level of rural marketing strategies meet the challenges in rural market mostly depends on the consumers' purchase decision on Branded FMCG would make positive change 1.501 for change in every unit at one percentage (1%) significant level. the value of un-standardized coefficient of Motivation is 0.463 determined the impact of motivation towards consumers' purchase decision, when the other variables are constant. The calculated value is positive that means such impact is positive that the level of rural consumers' purchase decision mostly depends on the consumers' motivation about Branded FMCG would make positive change 0.463 for change in every unit at one percentage (1%) significant level. The value of un-standardized coefficient of consumer purchase decision is 0.535 determined the impact towards effectiveness of rural marketing strategies, when the other

variables are constant. The calculated value is positive that means such impact is positive that the level of effectiveness of rural marketing strategies mostly depends on the consumers' purchase decision about Branded FMCG would make positive change 0.535 for change in every unit at one percentage (1%) significant level.

From the Table 3, the estimated P value is 0.125 which is higher than 0.05 which represents good fit. Here Goodness of Fit Index (GFI) value and Adjusted Goodness of Fit Index (AGFI) value is higher than 0.9 which indicate it is a perfectly fit. The calculated Comparative Fit Index value (CFI) is 0.939 which means that it is a good fit and also it is estimated that Root Mean Square Residuals (RMR) and Root Mean Square Error of Approximation (RMSEA) value are 0.033 and 0.066 which are lower than 0.08 which indicated it is good fit.

## 4. Findings

This research found the relationship between the factors of rural marketing strategies in Kanyakumari District by using Structural Equation Model. Here the coefficient of Challenge is 4.864 which represent the partial effect of challenge towards Awareness; the calculated value is positive that means such impact is positive that the rural consumers Awareness about Branded FMCGs would increase by 4.864 for every unit increase the level of rural marketing strategies meeting the challenges of rural marketing. Similarly, the coefficient of challenge is 5.173 towards

**Table 3.** Model fit summary

Variables	Values	Recommended Value
Chi-Square Values	20.163	
P value	0.125	>0.05 ( Hair et al., 1998)
GFI	0.961	>0.90 ( Hair et al. 2006)
AGFI	0.923	>0.90 (Daire et al., 2008)
CFI	0.939	>0.90 (Hu and Bentler, 1999)
RMR	0.033	<0.08 ( Hair et al., 2006)
RMSEA	0.066	<0.08( Hair et al., 2006)

Availability of Branded FMCGs in rural market, 4.288 towards Affordability of Branded FMCGs to rural consumers and 3.613 towards Acceptability. The coefficient of challenge is 1.501 represents the effect is positive, that consumer purchase on Branded FMCG would increase by 1.501 for every unit increase in the FMCG companies rural marketing strategies meeting the challenges of rural marketing. The coefficient of Motivation of 0.463 represents the partial effect of motivation towards consumer purchase decision, that consumer purchase decision on Branded FMCG would increase by 0.463 for every unit increase the effect of self-motivation of rural consumers. The coefficient of consumer purchase decision of 0.535 represents the partial effect of consumer purchase decision towards effectiveness of rural marketing strategies that effectiveness of rural marketing strategies would increase by 0.535 for every unit increase in consumer purchase decision on Branded FMCGs.

## 5. Recommendations

The companies should give preferential focus to young rural consumers while offering products, and developing rural marketing strategies. The spread of education and literacy in rural India and rapid shifts in rural lifestyle from traditional to imitating urban may force the companies to rethink about their marketing strategies. It is in this context that there is a feeling of inadequacies in the existing strategies, not meeting the challenges of rural market.

## 6. Conclusion

The effectiveness of existing rural marketing strategies has been found less than satisfactory. The marketers, therefore, need to focus on the Availability of their products in rural

markets for convenient purchase by rural consumers at an affordable price<sup>16</sup>. The marketers, especially, need to focus on the young consumers in rural market because of their active propensity for 'shift in life style' from traditional ways for consumes Branded FMCGs. The role of market research, especially, understanding the cultural environment and its impact on rural consumer behavior cannot be overemphasized in an attempt to restructure the rural market, It can, thus, be concluded that rural markets has its own set of challenges, problems and opportunities The preparedness to deal with the rural market depends more on the ability to learn from the dynamics of the market from time to time and to be open to address the challenges by being innovative in strategies<sup>17</sup> and their implementation Hence, the companies need to unlearn and then relearn the marketing strategies and tactics that would enable harnessing the immense rural potential. The approach, strategies and marketing mix need to be formulated and examined from rural consumer's prospective to be successful in the rural market.

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