

Factors Influencing the Purchase Behaviour of Rural Consumers Towards FMCG Products in Tiruvallur District, Tamil Nadu

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Abstract

The hinterlands in India consist of about 650,000 villages. These villages are inhabited by about 850 million consumers, making up about 70 percent of the population and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are increasingly resembling those of urban areas. Some of India's largest consumer companies serve one-third of their consumers from rural India. The Companies marketing FMCG to rural consumers cannot merely extend their general marketing strategies to rural markets. Instead, they need to devise rural-specific strategies. The present research focuses on factors influencing rural consumers towards the purchase of FMCG Products in Trivellore District, Tamil Nadu. Exploratory Factor analysis was used to find out the predominant factors. The study found that five predominant factors, namely Product features, Reliability, Trust, Lifestyle factor, and Promotional factors, influence rural consumers towards the purchase of FMCG Products in Trivellore District, Tamil Nadu.

Keywords: Trust factor, Price points, Brand visibility, Value for money, Rural purchase, Product Education.

I.INTRODUCTION

The hinterlands in India consist of about 650,000 villages. These villages are inhabited by about 850 million consumers, making up about 70 percent of the population and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing to

resemble those of urban areas increasingly. Some of India's largest consumer companies serve one-third of their consumers from rural India. Owing to a favorable consumption trend and the potential size of the market, rural India provides a large and attractive investment opportunity for private companies. According to the third annual edition of Accenture Research, "Masters of Rural Markets: From Touchpoints to Trustpoints - Winning over India's Aspiring Rural Consumers," rural consumers are particularly aspirational and striving to purchase branded, high-quality products. Consequently, businesses in India are optimistic about the growth of the country's rural consumer markets, which is expected to be faster than urban consumer markets. The report highlights better networking among rural consumers and their tendency to proactively seek information from multiple sources to be better informed while making purchase decisions. Importantly, the wider reach of media and telecommunication services has provided information to India's rural consumers and is influencing their purchase decisions. In line with the general trend, rural consumers are evolving towards a broader notion of value provided by products and services, which involves aspects of price combined with utility, aesthetics and features, and not just low prices. Therefore, the present research is needed to identify the factors influencing rural consumers' purchase of FMCG products in Trivellore District, Tamil Nadu.

Literature Review

The marketing scenario in India changed with market liberalization policies after the 1990s (Gopalaswamy, 1997). Most Indian rural markets are 'Virgin' in nature, and they are now opening up for most packaged goods (Habeeb-Ur-Rahman, 2007) and several product categories (Bijapurkar & Rama, 2000). Rural marketers have to differentiate themselves on quality and value for money (Anand & Krishna, 2008). For this purpose, they need to understand the factors that influence rural FMCG purchases (Krishnamoorthy, 2008). Various factors influence customers' purchase decisions (Blackwell & Talarzy, 1977). Available literature mentions that packaging (Pandey, 2005; Venkatesh, 2004), brand name (Narang, 2001; Bishnoi & Bharti, 2007; Sahoo & Panda, 1995), quality (Rashmi & Venu Gopal, 2000; Kumar & Madhavi, 2006), price (Sarangapani & Mamatha, 2008) and promotions (Bhatt & Jaiswal, 1986) influence the rural purchase. Opinion leaders also influence rural consumption behavior (Sayulu & Ramana Reddy, 1996). In the process, retailers have emerged as key influencers of rural FMCG purchase (Ying Zhao, 1994). Specific rural markets (Jha, Mithileswar, 2003; Bijoor, Harish, 2004) exist, as rural consumer behavior varies across product categories and geographic regions (Sinha, 2008). Rajan, R.V., an expert in rural marketing in India, opined that much study still needs to be conducted, as

understanding of rural consumers, even after two decades, remains partial and superficial.

Research Gap

Though the currently available literature on influencing factors seemingly appears to be adequate, still a lot of research needs to be done in Though studies are conducted on various aspects like, challenges in rural markets (Khatri, 2002), advertising issues in rural marketing (Balakrishnan, 2007), importance of creativity in message generation and message execution while communicating with rural markets (Bansal & Easwaran, 2004) and general issues relating to rural markets (Bijapurkar, Rama, 2000). Still, there is a lot of scope for studying many more issues relating to influencing factors in rural markets. The literature review conducted for the current research makes it clear that very little research has been done on rural consumer behavior with respect to factors influencing the purchase and consumption of FMCG products by Indian rural consumers, either in general or with reference to South India. Hence, it is decided to survey the FMCG purchase behavior of rural consumers in Trivellore District.

Objective of the Study

The present paper's key objective is to identify the factors influencing rural consumers' purchase of FMCG products in Trivellore District, Tamil Nadu.

Research Methodology

The present study's ultimate objective is to find out the factors influencing rural consumers' purchase of FMCG Products in Trivellore District, Tamil Nadu. To attain the above objective, both primary and secondary data were used. The Primary data were collected through administering a well-structured questionnaire consisting of a 5-point scale. For the convenience of the respondents, the questionnaire is translated into the regional language, Tamil. The survey is limited to Tiruvellore District, in Tamil Nadu. The sample size of 233 is calculated by using the formula:

Calculation of sample size

(Exhibit 1)

$$n = (ZS/E)^2$$

Z= Confidence Level (5% =1.96)

S= Standard Deviation (0.39)

E= Accepted Level of Errors (0.05)

$$= (1.96*0.39/0.05)^2$$

$$n = 233$$

Source: Determination of Sample size -Source: Kothari, C.R. (2004). Research Methodology Methods & Techniquet, 2e,

pg.179-180

The sample unit for the present research consisted of rural population living in villages who are both buyers and consumers of FMCG products in Trivellore District, Tamil Nadu. The data were collected during the period from October 2015 to January 2016. The final questionnaire comprising 24 items achieved a Cronbach's alpha of 0.865, indicating that the questionnaire is reliable. The data collected was classified, tabulated, processed, and analyzed systematically, mainly to identify the predominant factors. Since the present study consisted of an evaluation of variables, the researchers felt a strong need to identify the critical factors that influenced consumers towards the purchase of FMCG Products in Trivellore District, Tamil Nadu. Against this backdrop, the data were analyzed using SPSS 21.0, relying on principal component analysis (factor analysis).

Data Analysis and Interpretation

Table:1
Profile of Respondents

	Frequency	Percent
Gender		
Male	262	68.2
Female	122	31.8
Total	384	100.0
Age		
Up to 25 years	71	18.5
26-35 years	131	34.1
36-45 years	106	27.6
Above 45 years	76	19.8
Total	384	100.0
Educational qualification		
Illiterates	55	14.3
Up to 10th Std.	150	39.1
Up to HSC	100	26.0
Graduation	79	20.6

Total	384	100.0
Monthly Income		
Up to Rs.5,000	66	17.2
Rs.5,001- 10,000	117	30.5
Rs.10,001-15,000	158	41.1
Above Rs.15,000	43	11.2
Total	384	100.0

Source: Primary data

Table 1 highlights the demographic profile of respondents. Out of 384 respondents, 68.2% were male, and 31.8% were female. In connection with the age-wise distribution of respondents, the majority 34.1% of respondents were in the age group of 26-35 years, followed by 27.6% of respondents in the age group of 36-45 years, 19.8% of respondents in the age group of above 45 years, and 18.5% of respondents in the age group of up to 25 years. Regarding educational qualification, the majority (39.1%) of respondents were up to 10th std. qualified, followed by 26% of respondents being up to HSC qualified, 20.6% of respondents being UG qualified, and 14.3% of respondents being illiterate. Monthly income-wise, 41.1% of respondents had a monthly income between Rs.10,001-15,000, followed by 30.5% of respondents with a monthly income between Rs. 5,001-10,000, 17.2% of respondents with a monthly income up to Rs.5,000, and 11.2% of respondents with a monthly income above Rs.15,000.

Exploratory Factor Analysis Used to Identify the Factors Influencing the Rural Consumers Towards FMCG Products in Trivellore District, Tamil Nadu

The present study's core objective is to identify the factors influencing rural consumers' purchase of FMCG products in Trivellore District, Tamil Nadu. Rural consumers respond to these factors on a five-point Likert scale. The factors influence rural consumers to prefer a large number of variables. So, it is necessary to analyze the situation for data reduction. Therefore, factor analysis and principal component methods are applied, and the variables are reduced into predominant factors. Factors influencing rural consumers' preference for FMCG products are identified using 24 variables on a five-point Likert scale. Factor analysis is applied to these 24 variables, and the following results are obtained.

Table:2

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.831
Bartlett's Test of Sphericity	Approx. Chi-Square	14304.304
	df	276
	Sig.	0.000**

Note: represents significant at 5% level

From the above table, it is observed that the KMO measure of sampling adequacy is 0.832. Bartlett's Test of Sphericity, Chi-square value is 14304.304 and is statistically significant at the 5% level. This shows that the sample size is adequate to reduce the 24 variables into major factors with a considerable amount of variance.

Table:3

Communalities For Factors Influencing the Rural Consumers Towards the FMCG Products in Trivellore District, Tamil Nadu

	Initial	Extraction
V1	1.000	.957
V2	1.000	.962
V3	1.000	.628
V4	1.000	.723
V5	1.000	.818
V6	1.000	.605
V7	1.000	.834
V8	1.000	.740
V9	1.000	.869
V10	1.000	.847
V11	1.000	.559
V12	1.000	.835
V13	1.000	.825
V14	1.000	.958
V15	1.000	.919
V16	1.000	.910
V17	1.000	.920
V18	1.000	.957

V19	1.000	.909
V20	1.000	.959
V21	1.000	.787
V22	1.000	.562
V23	1.000	.593
V24	1.000	.666

Source: Primary data

Extraction Method: Principal Component Analysis

Communalities for factors influencing rural consumers' purchase behavior of FMCG products in Trivellore District, Tamil Nadu, are highlighted in the above table. The variance ranges from 0.559 to 0.962. This implies that 24 variables exhibited variations from 55.9% to 96.2%. This is statistically significant for factor derivation.

Table:4

Total Variance Explained for Factors Influencing the Rural Consumers Towards the Purchase Behaviour of FMCG Products in Trivellore District, Tamil Nadu

Total Variance Explained						
Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.025	41.772	41.772	9.434	39.308	39.308
2	3.085	12.854	54.626	2.804	11.682	50.989
3	2.601	10.836	65.462	2.721	11.337	62.326
4	1.992	8.299	73.760	2.298	9.576	71.902
5	1.638	6.824	80.585	2.084	8.682	80.585

Source: Computed data

Extraction Method: Principal Component Analysis

The above table highlights the total variance explained for rural consumers' purchase behavior of FMCG products in Trivellore District, Tamil Nadu. There are 24 variables reduced into 5 predominant factors with individual variances (39.308, 11.682, 11.337, 9.576, and 8.682). A considerable number of underlying variables respond to these five factors.

Table:5
Rotated Component Matrix^a

	Component				
	Product Features	Reliability	Trust	Lifestyle factor	Promotional Factor
Affordable Price	0.959				
Quality	0.955				
Quantity	0.954				
Design	0.953				
Intended Benefits	0.944				
Attractive Packing	0.923				
Long Lasting	0.916				
Return Options	0.857				
Replacement of the products	0.795				
Guarantee	0.752				
Warrantee	0.746				
Offers and Discounts	0.615				
Brand Loyalty		0.937			
Reliability		0.906			
Brand Image		.883			
Relatives Recommendation			.867		
Friends Recommendation			.852		
Dealer Recommendation			.747		
Retailers Recommendation			.545		
Change of Lifestyle				.834	
Updating Lifestyle				.757	
Installment purchase				.733	
Celebrity Advertisements					.938
Word-of -mouth					.936

Source: Primary data

Extraction Method: Principal Component

Analysis Rotation Method: Varimax with Kaiser Normalization^a

Rotation converged in 5 iterations.

The above table shows the Rotated Component Matrix. It is noted from the study that there are five predominant factors, namely Product features, Reliability, Trust, Lifestyle factor, and Promotional factors, that influence rural consumers towards the purchase of FMCG products in Trivellore district, Tamil Nadu.

II.CONCLUSION

With more than six hundred thousand villages and more than 70% of the population, rural India has become a massive consumer goods market. FMCG has emerged as a major product category in rural consumption. Companies marketing FMCG to rural consumers cannot merely extend their general marketing strategies to rural markets. Instead, they need to devise rural-specific strategies. In this process, they need to understand crucial issues relating to rural consumer behavior, and more specifically, different geographic regions of the country. The study found that five predominant factors influence rural consumers' purchase decisions for FMCG products, namely Product features, Reliability, Trust, lifestyle factors, and Promotional factors, in Trivellore district, Tamil Nadu.

III.REFERENCES

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