

## Marketing strategy of FMCG product: A case study of Hindustan Unilever limited

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### Abstract

The Indian rural market with its vast size offers great opportunities to Companies. The rural economy contributes nearly half of the country's GDP. More than 50 percent of the sales of FMCG companies come from the rural areas. In recent years, rural markets have acquired significance in India. In this context, a special marketing strategy, namely, rural marketing has taken form. As markets change and develop, companies must be able to develop the strategy and choose the correct way to enter the markets and remain competitive. This paper aims to gain an understanding of how FMCG companies are creating exclusive rural marketing strategies and the initiatives and marketing strategies of Hindustan Unilever Limited which is India's largest Fast Moving Consumer goods company, touching the lives of most of the Indians.

**Keywords:** Rural market, Marketing Strategy, FMCG, HUL

### Introduction

Most rural families take pride in the fact they do not buy many products for their daily living. They try to grow most of the food items that they need and generally avoid using products that they have to buy. They will substitute a product that they have to buy with the one that they have. These practices are not entirely due to ignorance but because of the guilt that they feel when they buy consumable product. FMCG companies cannot reach the rural market by invading it. The companies will have to know and understand the substitutes or home-made products that rural consumers use in their daily lives. The companies will have to demonstrate to rural consumers that their products are better than the home-made products that they use. For instance they have to demonstrate that the company's butter is better than 'malai' and 'Makhan' that they use. They will essentially be a slow and educative process and the companies will have to be patient.

### Statement of the Problem

For evolving an appropriate marketing strategy, understanding the rural environment is quite essential. Challenges and problems associated with entering emerging markets, and to make contribution why these strategies are implemented and carried out in the way they are. As most of the Indian population resides in the rural area, FMCG companies have realized the importance of the rural market and started to tap this market through various marketing strategies and initiatives. HUL is India's largest Fast Moving Consumer Goods Company and works to create a better future every day with good brands and services. Hence an attempt has been made to find out the various initiatives taken by HUL to reach the rural market.

### Objectives

- To develop a thorough understanding and insight in

the field of rural market.

- To assess about the FMCG product.
- To know the strategies adopted by HUL with reference to FMCG product.

### Rural Market

The Indian growth story is now spreading itself to India's hinterlands. The rural consumer market which grew 25 per cent in 2008, is expected to reach US \$ 425 billion in 2010-11 with 720-790 million customers. The union Budget for 2010-11 has hiked the allocation under the National Rural Employment Guarantee act (NREGA) to US \$8-71 billion in 2010-11 giving a boost to the rural economy.

According to the figures released by market Researcher Nielsen, demand for personal care products grew faster in rural areas than urban areas during the period January-May 2010.

### FMCG

FMCG means fast moving consumer goods which are frequently purchased essential or non-essential goods such as food, toiletries, and soft drinks and pampers. They are products that have a quick turnover and relatively low cost. Fast moving consumer goods are also known as Consumer Packaged Goods (CPG).

In shampoos rural demand grew by 10.7 percent in value terms, while in urban markets it rose by 6.9 per cent. Similarly, toothpaste sales grew by 9.1 per cent in rural India and by 4.4 per cent in urban markets.

The Indian Fast Moving Consumer Goods (FMCG) industry began to shape during the last fifty odd years. As this industry touches every aspects of human life, it is consider as important in the Indian economy.

Several Fast Moving Consumer Goods companies such as Godrej consumer products, Dabur, Marico and Hindustan unilever (HUL) have increased their service in rural India and small towns in order to establish a local connect and

increasing visibility.

### **Hindustan Lever Ltd., - a leading FMCG Company**

Unilever's Indian subsidiary, Hindustan Lever Ltd is considered as one of the best managed companies in India that understands the importance of rural marketing. The case discusses the marketing initiatives undertaken by leading Indian FMCG Company Hindustan Lever Ltd (HLL) to strengthen its consumer base in rural India. Various marketing initiatives undertaken by the company during the 1990s to establish a strong network in the villages have been discussed in detail.

The case also discusses the concept of rural marketing and its characteristics in a developing country like India, highlighting the factors that enabled to HLL to withstand the tough market conditions and become the market leader in several product categories in early 21<sup>st</sup> century. Prior to late 1990s HLL like any other company had used traditional modes of reaching out to rural consumers. HLL's experience with rural consumers dated back to the mid-1980s when Nirma had been a serious threat to HLL's detergent business.

Nirma's success demonstrated that rural India did have the money and willingness to buy packaged goods. In the late 1990's HLL realized that inspite of the efforts to reach rural consumers, a large part of the rural market untapped. One of the HLL initiatives was "Project streamline" that addressed the problems of the rural distribution system to enhance control on the rural supply chain.

In August 1999, HLL launched a nationwide community Dental Health campaign in association with the Indian Medical Association to promote its toothpaste pepsodent. In April 2000, HLL launched another campaign called Project Millennium in which it targeted at increasing its share in the tea market. All these initiatives seems to have paid off for HLL inspired by the success of its earlier initiatives, HLL participated in a rural communication program called Grameenon Ke Beech i.e. amidst villages in August 2001. The program was launched by rural communications and marketing PVT Ltd an agency that specialized in rural advertising and marketing.

FMCG major Hindustan Lever has started a project named "Shakti" for rural marketing of their products in 2000. The project is a distribution model that b HLL established in late 2000 to sell its products through women self-help groups.

The Shakti model trains women from SHG to distribute HLL products of daily consumption such as detergent, toilet soap and shampoos.

2000. The Company is creating demand for its products by having its Shakti dealers educating consumers on aspects like health and hygiene. With this new distribution model, the smaller markets are now being referred to as 'Shakti markets'.

HLL follows hub and spoke distribution model. It would be cost reduction technique for both the HLL and its dealers in rural markets. In this distribution model, company will have hud distributors to place the bulk products which covers 10 to 15 villages. Dealers get the products directly from the hub distributors whenever they

are out of stock. Distributors are the company mediators between the company and dealers. HLL evolved project Shakti to reach areas of low access and low market potential.

The vision is ambitious : to create about 11,000 Shakti entrepreneurs covering one lakh villages and touching the lives of 100 million rural consumers by 2010. Andhra Pradesh was chosen for the pilot project as it has the most number and better established SHGs- there are about 4.36 lakh SHGs in AP covering nearly 58.29 lakh rural women.

Though the development is certain, but the impact is slow and HLL is not expecting any Quick return in this project. Since the experiment began in Andhra Pradesh, HLL has seen 15 per cent incremental sales from rural regions, which contributes 50 per cent to overall Sales of HLL products in Andhra Pradesh.

The process followed is a mutual benefit to the company and people involved. These methods help in cost reduction to the companies where as to people it is a great Opportunity to run their own business in the case of HLL's Shakti project.

In 2002 the company started a marketing program, Lifebuoy 'Swasthya Chetna' ('Health Awakening'), targeting the bottom of the pyramid (BOP) segment in India. Lifebuoy was the single largest soap brand in rural India with 20 lakh soaps sold every year and had an estimated value of Rs 5 billion.

In 2003 HUL hold upon Project Samuriddhi to create sustainable villages in Dadra and Nagar Haveli.

In 2006, it launched a pioneering brand portal for sunsilk, sunsilk Gang of Girls (GOG), targeting the increasing number of Internet -savvy girls, where consumers could bond with each other and also with the brand.

### **Conclusion**

Thus the numerous marketing drives undertaken by HLL over the decades to increase its penetration in the Indian rural markets. The company had, in fact earned the distinction of becoming one of the few Indian companies that had tapped the Country's vast rural population so extensively. It was therefore not mere coincidence that around 50% of its turnover came from rural market.

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