

ANALYSIS OF CHALLENGES FACED BY ITC LTD. IN RURAL INDIA

Dr. Satish Kumar Gupta*

ABSTRACT

The project entitled as "Analysis of challenges faced by ITC Ltd. in Rural India" is aimed to do analysis of reason of low market share and low penetration in rural market of ITC's product. Rural india is growing day by day and with increasing disposable income showing great potential market for the FMCG industry. Already many FMCG giants are getting 30-40% revenue from the rural areas and in upcoming time rural india with good connectivity will be a big open market for many industries. There are many reason behind the low market share in rural india like- Distribution channel, Strong competitors, Product range, Awareness about the brand any many more and the solution of the case is done by the 4A's of Marketing in context of ITC ltd. ITC already has very strong portal as e-choupal which can be used for greater penetration in rural india. Also may competitors because of good marketing and product portfolio already established deep in rural market.

KEYWORDS: FMCG, Rural Market of ITC's Product, Low Market Share, Distribution Channel.

Introduction

ITC Limited or **ITC** is an Indian conglomerate based in Kolkata, West Bengal. Its diversified business includes five segments: Fast-Moving Consumer Goods (FMCG), Hotels, Paperboards & Packaging, Agri Business & Information Technology. Established in 1910 as the **Imperial Tobacco Company of India Limited**, the company was renamed as the **Indian Tobacco Company Limited** in 1970 and later to **I.T.C. Limited** in 1974. The periods in the name were removed in September 2001 for the company to be renamed as ITC Ltd.2005-09, by Boston Consulting Group. The company completed 100 years in 2010 and as of 2012-13, had an annual turnover of US\$8.31 billion and a market capitalization of US\$45 billion. It employs over 25,000 people at more than 60 locations across India and is part of Forbes 2000 list.

Case Problem

- **Market share and Market penetration of ITC'S products/brands are very low in Rural India:** Day by day rural India is showing growth as potential market for FMCG industries. Disposable income of peoples in rural market is also increasing and people are now ready to buy good branded, quality product. They, now, also aware about the many branded product and buying the product as well. Companies like HUL, P&G, Dabur accounting about 30-45% sales revenue of overall revenue from the rural market. At the very same time ITC is struggling to gain good revenue from the rural India. Rural India has great market potential and in future it will become about US\$ 100 Billion market. ITC only accounting 10-15% revenue of its overall revenue from the rural market which is a big problem for the company.

* Associate Professor, Department of A.B.S.T. Sri SantSundardas Government Girls College, Dausa, Rajasthan, India.

- **Competitors like- HUL, P&G, Dabur, Parle and other are very strong in rural India and with pricing strategy not giving any space to ITC and have early mover advantage as well:**
 - With project shakti HUL created an unique distribution channel.
 - With Suitable product like Tide, Ariel, Head & Shoulder etc. P&G offering in economical price.
 - New enterer Patanjali also with Swadesi positioning and distribution channel gain the rural market.

Analysis: Reason for Low Market Share in Rural Market

- **Distribution Channel:** ITC has 3 level distribution channel for the rural india. ITC already has great demand and supply to in cigarette market but because of govt. Regulation same distributor cannot distribute other non tobacco product. In rural distribution product after manufacturing product goes to distributor and distributor push the products to wholesalers because in rural market connectivity is not good and wholesalers also push the product those who have greater margin the product of ITC cannot reach to deep in rural market.
- **Products:** ITC has a long product line and product depth also but many brands/products are the premium products which is not suitable for rural market. However ITC has personal care brand such as Vival, Fiama Di Wills, Superia , Savlon, Engage. Packaged-Food brand like Sunfeast, Yippee, candyman etc. And have many other brands which must sell in the rural market.
- **Influence of Retailer :** Rural consumers brand and product choice is greatly restricted and manipulated by local retailers. Because of low awareness customer generally ask for “**Laal wala sabun dena**” or “**Ak nahane ka sabun dena**” and retailer push the product in which they have greater margin. ITC dose not give great margin like other small & local brand hence lose potential customer in rural area.
- **Competition :** Already big giant like HUL, P&G have great penetration in rural market and companies like Parle, Britannia Pepsico with great demand and with right positioning driving the packaged-Food segment in rural market.
- **Positioning :** Its one of major drawback of ITC since very long time. In most part of country ITC still associated as tobacco & cigarette making company which is harming the other FMCG brands and their positioning.
- **Awareness :** In rural market people are not much aware about the FMCG brands of ITC and brands of ITC are not much famous as other competitors brands like Lifebouy, Head&Shoulder Parle-G, Kurkure, Good-day etc which create a situation where customer go for competitors brands.

Case Solution

The case problem could be solved by many ways but to make a bold impression company must start from basic so initially ITC must work on its 4A's of marketing in rural india :

- **Accessibility: (By forward integration of ITC e-coupal):** In FMCG market which includes low involvement product and also work on a theory “ **Jo dikta hai, wahi bikta hai**”. ITC not have such a good distribution network like HUL to distribute product deep in rural area. So, ITC can use their “**e-choupal**” platform. **e-Choupal** is an initiative of ITC Limited to link directly with rural farmers via the Internet for procurement of agricultural and aquaculture products like soybeans, wheat, coffee, and prawns. e-Choupal tackles the challenges posed by Indian agriculture, characterized by fragmented farms, weak infrastructure and the involvement of intermediaries. The programme installs computers with Internet access in rural areas of India to offer farmers up-to-date marketing and agricultural information. **There are 6,100 e-Choupals in operation in 40,000 villages in 10 states, affecting around 4 million farmers.**
- **How to improve distribution through e-choupal ?:** In this ITC first try to register local retailer or mom & pop shops with the portal and take the order of product what retailer need through this platform and give little extra margin if retailer order through e-choupal portal so that initially they start using it. Now because in rural india road connectivity is not good so try to deliver the product within 3-7 days:

- By this way ITC start distributing the product in deep rural area and also because distribution will be done by ITC itself its more efficient.
- Through this ITC also counter **HUL's Shakti project** and make product visible in rural market.
- Through this company can also track the rural demand and get to know about the rural customer behaviour.

Awareness

Only when one aware and know the product well and associate with their need with the product then only they will buy the product. The two dimensions of Awareness are product knowledge and brand awareness. So, to make aware target population about the product and brand company has to make good promotional strategy. The promotion of the product also needs to be adopted to the village environment. The language and means of the product should be in local network. The best places to do promotion could be the local **haats and melas** which is frequently visited by villagers. ITC can also do promotion on **local newspaper and regional channel** also organize **nookad-natak**. The promotion can be also done through **wall-painting** which is very effective in rural areas. In villages sarpanch & teachers are the influencer so ITC must take these kind of people in confidence and tell them do make people aware about the products and brands.

Affordability

In rural market the product should seek to break the initial barrier for villagers to buy a product for the first time. Since i already mention that ITC products are more costly then the competitors and also its not available in small variant and have low SKUs. In villages people prefer to buy in small SKUs like rs. 1, 2, 5, 10 more frequently and ITC don't have small SKUs for rural market:

- ITC should launch 5 rs. Pack of its Moms Magic biscuit which is direct competitors to Good-Day and Twenty-20 biscuits.
- For personal care segment ITC should launch **small pack & sachets** of its product like - Engage, Vival, Fiama Di Wills, Superia in shampoo as well as in soap categories.
- Products like Mangaldeep Agarbatties, **Aim and Homelight** matchsticks must introduce to every rural area because in rural area matchsticks would sell well.

Acceptability

When people aware about things they also start accepting. Here ITC still associated with Tobacco & Cigarette making company so first ITC must emerge as ethical and peoples associated company. By e-choupal ITC already start making an ethical image and to enhance this company can do PR activity in villages by initiating the scholarship program for the poor student. The initiative can be named as project "**BADHAWA**" and visit schools in villages to push the project. Also ITC can organize small Health check-up camp in the rural area to make a ethical image:

- Like project **BADHAWA** ITC can also launch separate scholarship program for Girls.
- These kind of initiatives also help to take influencer like Sarpanch, Teachers and other people in confidence.
- The fund for these project can be raised by dedicating **0.5-1%** revenue gained on every product.
- These project can help in long run very much to improve the brand image.

So, through 4A's of Marketing ITC can give push to its Distribution and aware people about the product and brand also must create small SKUs for villages and at last by doing good PR activity company can make a good positioning and slowly make product available and visible in the rural area. To increase Market penetration & Share it would defiantly take time but through above case solution ITC defiantly slowly but effectively start penetrating rural market and also improving its market share in rural india.

Other Suggestions

In rural market not many people looking for branded product the simply but what available in low cost which satisfy their basic need so here i would mentioning some categories which ITC can enter to take more market share in rural india:

- Company can launch any Low cost toothpaste for this ITC can also acquire any toothpaste brand.
- ITC must also enter in cooking oil and vegetable oil.
- Should defiantly enter in Detergent segment because its more profitable.
- Should give more importance to rural market and introduce product which suitable for rural india.

Annexures

- ITC Ltd is revitalising its distribution strategy for fast moving consumer goods with a greater focus on supplying products directly to retailers. The plan includes an ambitious target of directly reaching out to the top one lakh villages which contribute 80% of India's rural consumer goods consumption.
- ITC's rural push – especially of premium FMCG products – by bypassing wholesalers and stockists matches the scale of market leader Hindustan Unilever Ltd (HUL) which last year launched its 'Perfect Village' initiative to increase the sales of categories like hair conditioner, face wash, body lotion, fabric conditioner and liquid hand wash in villages.
- HUL has already covered 8,500 villages in eight states last fiscal year, and plans to further scale up the programme this year. ITC, on the other hand, will immediately expand its reach and investments in the top 16,000 markets based on the highest sales potential.
- ITC has been diverting more energy to consumer goods ever since Chairman YC Deveshwar announced his vision to turn the Kolkata-based tobacco-to-hospitality giant into the nation's largest FMCG company despite its late entry into the sector. ITC ventured into FMCG around a decade ago.
- ITC overtook HUL in the packaged-food business last fiscal year and more recently in the deodorant space. It broke even its FMCG business last fiscal year.

According to a recent report from Edelweiss Securities, HUL has increased direct coverage from nine lakh outlets in fiscal 2009 to 20 lakh in fiscal 2013 and 32 lakh last fiscal year, much of it in the rural areas. At present, ITC directly services more than 20 lakh outlets, based mostly in urban and semi-urban areas.

References

- <http://www.itcportal.com>
- <http://www.academia.edu>
- https://en.wikipedia.org/wiki/Fast-moving_consumer_goods
- Report by Ac nielsen india
- Report by Dabur india

