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Abstract

The rural market in Indian economy can be classified under two broad categories. These are the market for consumer goods that comprise of both durable and non-durable goods and the market for agricultural inputs that include fertilizers, pesticides, seeds etc. Rural market is assumed to be synonymous with agricultural market by many. But the later just continues to be a part of former. Rural marketing encompasses business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. Various government initiatives backed have helped in overall development of the rural market. But still there are challenges with rural marketing. The paper discuss the challenges, opportunities and strategies of rural marketing.

key words : rural marketing, marketing, challenges in rural marketing, rural marketing environment

The agriculture sector holds the key to the growth of the national economy in India. Although the share of this sector in GDP has been decline over the years, its role remains critical as its accounts for about 52% of the employment in the country. Apart from being the provider of the foods and fodder, its importance also stems from the raw materials that it provides to industry. The prosperity of the rural economy is also closely linked to agriculture and allied activities. Agricultural sector contributed 13.9% of national GDP in 2010-11. The rural sector (including agriculture) is being increasingly seen as a potential source of domestic demand; a recognition, that is shaping the marketing strategies of entrepreneurs wishing to widen the demand for goods and services.

Understanding the rural market and rural marketing

The rural market in Indian economy can be classified under two broad categories. These are the market for consumer goods that comprise of both durable and non-durable goods and the market for agricultural inputs that include fertilizers, pesticides, seeds etc.

Rural market is assumed to be synonymous with agricultural market by many. But the later just continues to be a part of former. Rural marketing encompasses business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. Hence, rural marketing in Indian economy covers two broad sections, namely:

Trading of agricultural items in the urban areas.

Trading of manufactured products in rural regions.

Rural population constitutes about 73 % of total country population. As per 2011 census it was 1.21 billion. There are almost 12 crore households which account for 70% of the total households. The rural population is nearly three times the urban population. The rural market is scattered market. Urban population resides in 7742 cities whereas rural

population live as in 6,27,000 villages. As per NCAER study of 2002 the average annual household income of a rural household was Rs. 56630 (or about Rs 4500 per month). The important component of the Rural market is as under; The rural market stands at an estimated market size of 1,23,000 crores.

FMCG- Rs. 65,000 crores.

Durable- Rs 5,000 crores.

Agri-Inputs (including tractor) Rs. 45,000 crores.

2/4 Wheelers – Rs. 8,000 crores.

The importance of the rural market for some FMCG and durable marketers is underlined by the fact that rural market account for close to 70% of the toilet soap user and 38% of all 2 wheelers purchased. The rural market accounts for half of the total market for TV sets, fans, pressure cooker, bicycle, washing soap, blades, tea, salt and tooth powder. What is more, the rural market for FMCG product is growing much faster than their urban counterparts. The Indian rural market with its vast size and demand based offers a huge opportunity that MNCs cannot afford to ignore. As a result the growing affluence, fueled by good monsoon and the increase in agricultural output to 200 million tons from 176 million tons in 1991, rural India has a large consuming class with 41% of India's middle class and 58% of the total disposal income.

The rural marketing environment : Various government initiatives backed have helped in overall development of the rural market. The rural market is being continuously upgraded on Physical connectivities its covering Road, Rail, Public infrastructure, Electronic connectivities includes Telecom, Internet, E-learning, E- governance, E-healthcare, Knowledge connectivities its includes schools, libraries, proactive healthcare, manufacturing knowledge, Economic connectivities its covering Market/retail, Warehouses, Agro-Industries, Micro power plants, Crop product marketing, Micro finance.



Change occurred over the year at both the ends – the consumer and the market. The corporate witnessed a growth in rural products: their distribution system got more aligned with innovations in packaging and pricing. In marketing efforts, there has been a paradigm shift from 4P to 4A approach via, affordability, acceptability, awareness and availability.

“FMCG companies innovated on package sizes to introduce low price points. They have customized promotional strategies for rural markets using local language and talent. Some FMCG players continue to expand rural penetration [HUL’s project Shakti, Tata Tea’s Gaon Chalo].Coca-cola’s Parivartan program has trained more than 6000 retailers to display and stop products. Dabur has created a training module Astra [advanced sales training for retail ascendance] in several regional languages. As number of auto companies have launched rural – specific rural development. Today Rural Market covers about 50% of total FMCG, 40% of two – wheelers, 25% of LIC policies, 50% of mobile phones and white goods. It is estimated point out that rural markets are growing at the rate in excess of Rs 500 crores per annum and the present estimated rural market is in excess of Rs 1,00,000 crores, corporate that have understood the psyche of rural consumers and markets and how to work it, it have notched up successes.

Types of rural markets : Various companies and organization dissect rural market as per the nature and the sector of the business they are in. Broadly, for convenience of administration, rural market could be classified as – Weekly bazaars / Haats, Occasional markets like melas, Rural conventional markets, Mandis, Specific regional markets, Cooperative marketing and Door to door market Other variables like demographics, ethnicity, religion, age can form a platform for segmenting the rural market.

Opportunities offered by the rural markets : It seems that rural market has thrown a red carpet welcome to corporate. As seen above, the rural economy is witnessing aggressive infrastructure improvement activities. In 50 years only, 40% villages have been connected by roads; in the next ten year another 30% would be connected. More than 90% villages are electrified, though only 44% rural homes have electric connection. Rural telephone density has grown up by 300% in the last ten years; every 1000+ population is connected by STD.

Social indicators have improved a lot between 1981 and 2001- number of “pucca house” doubled from 22% to 41% and “kuccha houses” halved [41% to 23%]. Percentage of BPL families declined from 46% to 27%. Rural literacy level improved from 46% to 59%. Moreover, a low penetration rate in rural areas offers multiple opportunities to marketers. The following tables exhibit the penetration level of a few durable and FMCG products –

Table 1

Durables	Classification of durables in rural & urban household		(% of rural Household)
	Urban Household	Rural Household	
CTV	30.4	4.8	12.1
Refrigerators	33.5	3.5	12

Table 2

FMCGs	Classification of FMCGs in rural & urban household		(% of rural Houshold)
	Urban Household	Rural Household	
Shampoo	66.3	35.2	44.2
Toothpaste	82.2	44.9	55.6

Reasons For Corporate Interest In Rural Market : Various organizations have their own reasons for tapping the rural market. In any given situation, rural market is seen to strengthen the bottom line as sales volume booster, thereby taking advantage of economies of scale. The following reasons make the corporate march towards the rural market.

Saturation in the urban market: organizations are finding it difficult to grow further in urban markets since they have now already catered to the critical mass of consumers.

Increase in number of players in urban market: low entry barriers further invite competitors to join the rat race in the urban market.

Corporate have realized that there is an exodus of urban income going to the rural native place. Urban dwellers do pass on a part of their income earning to relatives living in rural areas from where they hail.

As urban India grows: it needs more help from rural areas. When the new immigrants travel back home, they carry with them stories of urban life style. Awareness is thus created in the potential markets.

Increase in aspiration and expectations of rural consumers: the rural folks are constantly being bombard with the exposure to urban life style via communication medias like television and telecommunication.

Improvement in rural infrastructure: better connectivity network with urban cities via rail, road etc and improvement in other infrastructure like telecommunication make rural markets easily accessible.

Growth in rural economy: the rural economy is witnessing a boom because of the following reasons:

Socio – economic change (lifestyle, habits and tastes, economic status)

Literacy level (25% before independence, more than 69% in 2011)

Infrastructure facilities (roads, electricity, media)

Increase in income

Increase in expectations and aspirations

Government support via various schemes

Factor Affecting The Rural Market : The following factors affect rural market and hence, the rural economy:

Capacity to spend: capacity to spend is considered to be a function of opportunity to earn back the money after spending it. With such limited opportunities, the rural consumer



spends the money very wisely. Spending is done on the most e\wanted items and services only.

Irregular income pattern: since income is heavily dependent on agriculture and agriculture further depends on monsoon in climates, there is no consistency in time of getting the income. The rural populations have low income, irregular income, and lack of monthly income and flow of income fluctuating with monsoon winds.

Prevalence of risking income generation: with huge population of rural economy depending on agriculture for income and agriculture further depending on external factors like whether, insects / pests, sale price of product etc. the rural consumer is always associated with the risk failure. Failure of agriculture produce needs to heavy consequences e.g. farmers of Vidarbh region are heavily under pressure of loan repayment. Most of them have gone to the extent of committing suicide.

Informal credit / borrowing: since ages, money lenders have been exploiting the villagers. Though MFIs (micro finance institutions) are playing an active role by extending micro credits, this channel of informal money lenders still exist. In case of failure to repay the loan by a farmer, a credit of thousand rupees extended is settled against their lands worth lacs and crores.

Traditional values and beliefs: this is one of the biggest hurdles for rural development. At times, the values and beliefs in these superstitions are so strong that it is not possible to upgrade a village with a product or a service.

Difference in marketing of the product and services in urban and rural market : Given the nature and characteristics of the rural market, understanding the key difference in marketing of product and services in urban and rural market would help the rural marketers in chalking out an optimum strategy for reaching out to the rural masses.

Following are some of the key differences:

Traditional values and beliefs: this is one of the biggest

The urban consumers buys products based on wants and desire too in addition to need based products. Whereas due to income limitation, the rural counterparts prefers to go for products on need based platform.

Urban consumer is more open to innovation and experiments. Whereas, the rural consumer prefers to buy time tested and experimented products and services.

Urban consumer usually does some secondary research before buying (like in consumer durables, he visits different discount stores, check out website etc.) whereas, the rural consumer seeks to get opinion from the key opinion leader of the village who may be a Sarpanch, retired army officer, foreign return personality etc.

Smaller packs and units are preferred by rural consumer whereas the urban consumer prefers to buy volume packs for cost benefit.

Urbanites usually go for brand products, whereas from cost saving prospective, rural dwellers usually go for local brand.

Due to credit facility given by the local shopkeeper, the rural consumer accepts the product which the retailer gives. However, in urban market, this seldom occurs.

The rural consumer looks for longevity, whereas the urban consumer looks for performance.

Challenges and barriers in the rural market : Though the rural markets seem to be lucrative, but they have their own set of challenges and barriers to cater to. The following factors usually acts as hindrance in tapping the potential of rural market:

Low literacy rate: rural India has literacy rate of 28% as compared to 45% of the whole country.

High distribution cost due to wide spread geographical dispersion of rural population.

High initial market development expenditure.

Multiple tiers, higher cost and administrative problems.

Inability of the small retailers to carry stocks without adequate credit facility.

Generating effective demand for manufactured goods.

Lack of wholesaler and dealer network in small towns.

Mass communication and promotion problem due to linguistics and accessibility barriers. The constitution of India recognize 18 official language, and there are 1700 dialects. Banking and credit problems.

Market research problems.

Inadequate infrastructure facilities (physical distribution of roads, warehouses and power supply, media availability).

Highly disbursed and thinly populated markets.

Low per capita income and poor standards of living of social, economic and cultural backwardness of the rural masses.

Unequal and varying level of land holding among farmers. About 40% of rural households are landless. Considering the rest 60% half of them are marginal farmers (owning less than 2 hectare of land). Large farmers, owning more than 10 acre of land only form a tiny 4% of the rural population.

Cultural gap between urban marketers and rural consumers. Lack of skilled sales force.

Large number of daily wage earners other than farmers.

Acute dependence on the vagaries of the monsoon.

Seasonal consumption linked to harvests and festival and special occasions.

Inaccessibility to conventional advertising media. It is estimated that organized media can reach about only 30% of the rural population and the print media have a reach of only 18%.

Strategy for rural market : Given the challenges and opportunities offered by the rural market, only those companies with serious and sound marketing strategies have been able to make a dent in the rural market. These strategies can be clubbed under broad heading of availability, awareness, affordability and acceptance.

Availability : The first strategy is to be available in the rural market. However, this is easier said than done. India's



627,000 villages are spread over 3.2 million square kilometer; 700 million Indians may live in rural areas. Finding them is a big task in itself. However, given the poor state of roads, it is an even greater challenge to regularly reach products to the far – flung villages. For building the critical mass, every effort must be taken to at least tap 13,113 villages with a population of more than 5,000. At least, the feeder towns (towns from where supply and purchase are made for other smaller towns and village) should be covered for width and depth of the distribution. The companies with relatively fewer resources can go in for syndicated distribution where a tie between non competitive marketers can be established to facilitate distributions.

Around 8,000 rural melas are held in rural India every year. Weekly bazaar haats is another potential low cost distribution channel available to the marketers. Also every region consisting of several village is generally served by one satellite town (termed as ‘mandis’ or agri - markets) where people prefer to go to buy their durable commodities. These towns are the feeder towns. These towns provide the opportunity to bring your product in reach of multiple villages.

Affordability : The second strategy is to ensure affordability of the product or service. Small packs and miniatures is the solution. This is required keeping mind the occasion, frequency and quantity of purchase. This takes care of sales, given the fact of low disposable and inconsistent income of villagers. HLL, P&G, Godrej consumer product ltd. has been getting almost 50% of their volume from rural markets via sales low priced shelf keeping units.

Acceptability : The third strategy is to gain acceptability for the product or service this call for customization of product and service for rural India. ‘One size fits all’ is the concept which no longer exists. Therefore, there is a need to offer product that suit the rural market. Intel has developed special computer with low configuration and working on batteries so as to answer the power failure issues. ‘Sampoorna’ TV by LG is another such effort. An ice box provided by cocacola and thermocol boxes for seasonal outlets is another such effort.

Awareness : The fourth strategy is raising awareness about the product and service amongst the rural dwellers. Mass media is not only solution for this. Direct marketing is the most trusted channel. Rural marketing involve more inten-

sive personal selling efforts as compared to the urban markets. However, given the scale requirements, various media like melas, weekly haats are tapped to promote via sales promotion. Opinion leaders from village are the next best channel to promote brands.

Conclusion : One needs to be a good psychologist in addition to marketing veteran to be successful in rural india. Due to its variety, each state is a different country. It is important for marketers to understand how a customer behaves, interprets and analyze a product, communication, pricing and purchase action. Thorough understanding rural markets, patience perseverance and a systematic approach are necessary to penetrate the rural markets. Given the opportunity of a rural market, companies should explore the rural markets and not exploit them. It is necessary to understand that both urban and rural markets are the producer and consumer to each other. Looking at the challenges and 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 their best advantage. A radical change in attitude of marketers towards the vibrant and burgeoning rural markets is called for; so they can successfully impress on the 230 million rural consumers spread over approximately six hundred thousand village in rural India.

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