



INDIAN RURAL MARKET: OPPORTUNITIES AND CHALLENGES

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Abstract

The idea of Rural Marketing in Indian Economy has always played a significant role in the lives of people. The rural market in India brings in greater revenues in the country, as the rural regions comprise of the maximum consumers in this country. Indian rural market produces almost more than half of the country's income. Indian Rural Marketing has always been difficult to predict and consist of special uniqueness. However many companies were efficacious in entering the rural markets. They bagged the market with its proper understanding and innovative marketing ideas. It is very challenging for the companies to overlook the opportunities offered by the rural markets. As two – third of Indian population exists in rural areas, the market is much unanticipated for the companies to be effective in rural markets. They have to overcome few challenges such as pricing and distribution. The present paper aims to know the status of rural market in India, the identification of different rural marketing strategies, to highlight the opportunities and challenges of rural marketing in India. The main aim of this study is to observe the potentiality of Indian rural markets and finding out several problems being faced by rural markets.

Keywords: Market, rural market, Indian market

Rural marketing in India is still in its infancy stage. It is an area of darkness to Indian entrepreneurs, although, with its immense size and demand base, it offers plethora of opportunities to marketers. More than 70 percent of the country's consumers are in the rural market and more than half of the national income is generated here. The rural market is very much larger than the urban in the aggregate and represents the largest potential market in the country. Still it faces various problems with respect to marketing, product designing and positioning, pricing, distribution and promotion. Corporates today must understand the rural market in different context to widen their business horizon, to expand their market and to take advantage of the opportunities available in the rural areas. The Indian rural market is bigger and vast in size with its larger consumer base; it offers great opportunities for the marketer. The marketers must understand the growing complexities of the rural market and develop the strategies to tackle them successfully. The key to face the challenges is to understand the market, the consumer requirement and conduct. Hence, it is proposed to undertake in this study to assess the various dimension of Indian rural markets.

Out of the total of 1210.2 million populations in India, the size of rural populations is 833.1 million which constituted around 70% of rural populations as per census survey of 2011. During 2001-2011 the rural population improved by 90.4 million, and the number of villages increased by 2,279 in between 2001-2011. The majority of world's rural population breathes in rural India. The demand and living pattern of Indian rural habitants are different and varies considerably. The cultural dimensions also vary. These factors certainly make an impression on the need and behaviour of rural consumers. With its vast size and widespread array of consumers, marketers have been finding it difficult to comprehend and enter into rural areas, and finding difficulties to understand the norms of entering into the rural market.

Defining Rural Markets

According to the national commission on agricultural: 'Rural marketing is a process which starts with a decision to produce a saleable farm commodity and it involves all the aspects of the market structure or system, both functional and institutional, based on technical & economic consideration & includes pre & post-harvest operations, assembling, grading, storage, transportation & distribution. FMCG sector identified "Rural" as place with a population less than or equal to 20,000 peoples. FMCG refers to consumer non-durable goods required for daily or frequent use. They move fastly at the sales counter. Normally consumer devotes less time and efforts in buying these goods. They are relatively high volume and low value products. The FMCG sector consists mainly of sub-segment viz., personal care, oral care, and households products. Rural marketing signifies those business activities that bring in the drift of goods from urban sectors to the rural regions of the country as well as the marketing of non-agriculture merchandises from rural to urban areas.

The important characteristics of rural market are as follows:

The rural market has been experiencing a considerable change over the last few decades. This is the result of generation of new employment opportunities and new source of income made accessible through various rural development programmes. The rural markets are by and large less discovered, less exploited and largely agriculture oriented.

Indian rural market is massive in size, encompassing 834 million consumers and it is dispersed and wide-spread over 6.40 lakh villages, and these villages are not uniform in size.

The rural markets are characterised by small purchasing power and low per capita income clubbed with high sense of savings, low literacy rate, resulting in low standard of living. In addition to this, the traditions, religious pressure, and cultural values are the hindering factors for an upwards social mobility. Apart from this, the distribution of income varies considerably due to the variation in the landholding pattern. Thus rural

population presents a highly heterogeneous market.

The purchasing powers of the people in the rural areas mainly depend upon marketable agricultural surplus and rural-urban trade. Increase in marketable surplus of food grains leads to the consumption of manufactured consumer goods. To a larger extent Indian agriculture depend on rainfall and therefore, rainfall indirectly influences the rural demand for consumer goods.

The government spending with various schemes /planning on irrigation, flood control, infrastructure development anti-poverty schemes, and fertiliser's subsidy directly generate income and lead to the consumption of manufactured items and improved the condition of the rural masses.

The buying behaviour of rural consumer is different from urban consumer. The rural consumer is more of an adopter than an innovator.

Reasons for Corporate to go Rural

In the present scenario, companies operating in India will have only two options either go Global or go Rural. The cost of going global is very high, and it's difficult to gauge markets in other countries. It's better to target the rural market as it is growing by the day. Rural India is emerging as a large market for a number of goods and services – financial services, healthcare, education and telecommunication, etc. Here are some of the reasons why corporates are more interested in making a foray in the rural markets:

Saturated Urban Markets- There is cutthroat competition in urban markets, with a wide variety of choices of products. It's becoming difficult for existing companies to maintain their marketshare in urban markets.

Untapped Market Potential - With only 100,000 of the 638,667 villages tapped so far, there is a huge potential and market area. With a rural population of more than 833.1 million, it is a huge market.

Remittances from Abroad- Many household in rural India have one of their family members abroad, mostly in Gulf countries. People working there send their savings to their families in India, which is an additional source of income.

Impact of Media- The growing reach of the electronic media has created a huge change in the lifestyle of rural consumers because of TV programmes. Rural people are spending more on lifestyle products than their urban counterparts.

Literature Review

There are many studies carried out in India in connection with rural marketing, which have revealed a major setback of temperamental attitude of undervaluing a potential source like rural marketing. These studies have thrown light on the rural marketing pros and cons, and its dimensions in various manners. There are many studies carried out in India in connection with rural marketing, whereby Narayan Krishnamurthy (2000) researched out that by using the regional language, it becomes much easier to increase the penetration in rural areas. Rakesh Singh and Kapil Bhagat (2004-05) explained that the corporate and rural India have entered

into collaborative partnership through vertical coordination. Vivek Parikh (2001) pointed out that most of the rural marketers underestimate the verbal power magic of words to enter into the rural market, and again (2008) he added some another dimensions necessary for marketers. Pradeep Kashayap and Siddhartha Raut (2006) elaborated that various aspects of rural marketing like the rural customers, rural marketing research, rural products, pricing, distribution strategies, and the role of media and government initiation contributed in uplifting the rural market.

Tarun Narayan (2005), Hansa Yonga (2004, N. Janardhan Rao (2004, and Y. Krishan Mohan Reddy (2006); focussed on challenges faced by the marketers and opportunities available to them. These studies on related problems are useful or indicate the type of difficulties and possible analytical shortcomings and suggest new line of approach to present and study the problem in new context. R.V. Badi and N.V. Badi (2004) are of the opinion that Rural market development in India will help the process of activating factors of production leading to higher rate of economic growth, dispersal of economic activities, development of rural and tribal areas, employment opportunities, improvement of living standards of rural masses by empowerment and their active involvement in the process of growth.

Awadesh Kumar Singh & Satyaprakash Pandey (2005) feel Indian rural market can be called a "sleeping giant" since it holds vast untapped potential and Rural market environment has changed along with the rural consumer who has become conscious regarding quality and price.

Prof. C.K. Prahlad (2007) enumerates that the future lies with those companies who see the poor as their customers. He further explains that what is needed is a better approach to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win-win scenarios where the poor are actively engaged and, at the same time, the companies providing products and services to them are profitable.

Need for the Study

Indian rural markets have caught the attention of corporates and marketers due to the huge untapped potential. The tempo of development is accelerating in rural India together with increase in purchasing power, increasing literacy level, social flexibility, and better-quality means of communication. These factors contribute to change the pattern of rural demands. Earlier, the general perception was that the rural markets have potential for agricultural inputs but now there is a growing market for consumer goods as well. Thus lots of marketers are enthusiastic to enter into rural market. Marketers are looking for opportunities and exploiting them to their best gain. For this, marketers need to understand the dynamics of rural market. However, rural consumer is different from their urban counterpart on a large number of important characteristics, so their buying behaviour is different and that has got important implications for the marketers. There has been increasing thrust about how to improve a marketing framework for exploiting



marketing opportunities in widely distributed Indian rural market. The marketers must understand the rural culture and treat it on urgency, if they want to tap the potential in the imminent market of India. Rural markets present discrete challenges for markets who are interested to tap this goldmine, the path to which is tiled with thorns. The marketers need to be aware of the challenges that lie in the way and should be effectively equipped with strategies and tactics in order to fight with them. But now, the marketers are considering serious efforts to tap the rural markets. Hence it is proposed to study the challenges and Opportunities of Indian Rural Market.

Methodology of the Study

The literature review specified that there is insufficient theory and understanding of Indian Rural Marketing within the context of particular phenomena. A general research strategy needs to be explored by finding out opportunities and challenges faced by the marketers to enter into the rural market. Secondary data have been obtained from the published reports, internet, libraries, journals /magazines, and reports of certain government agencies. A SWOT matrix emphasizing the opportunities and challenges of Indian rural market has been prepared with the help of past studies of rural marketing, reports published by various institutions etc. With the help of thorough analysis of these data and their interpretation and examination, fruitful conclusion and findings have been formulated at the end of the study.

Objectives of the Study

Marketers today have realized the escalating purchasing power, huge demand base of the once ignored Indian hinterland. It would be totally wrong to think that any firm can easily enter the market and walk away with a generous share of it. On the contrary, any business that seeks an ample share of market has to work hard for it, and the market bristles with a multiplicity of challenges. Efforts have been fast-tracked to understand the attitude of the rural customer. The study aims at bringing a holistic understanding of the rural markets. The objectives of this study include examining the existing market scenario of Indian rural market, and providing in-depth-analysis of the challenges confronted by the marketers while operating in the rural environment, and identify rural marketing opportunities. The study also distillates on the problems faced by rural markets and finally proposing suggestions to overcome the problems and tapping the potentiality of the rural markets at maximum level.

The present study mainly attempts to examine the following issues:

- To examine the contemporary rural marketing scenario,
- To ascertain rural marketing opportunities,
- To examine the challenges facing the marketers, and
- To propose effective strategies for marketing in rural areas

Rural Market Opportunities

The Indian progression story is now spreading itself to India's hinterland, not just witnessing an increase in its income but also in consumption and production. The economy is vibrant,

income is rising, and the habits, tastes, preferences, and attitudes are altering speedily. The rural market has grip of strong country's shops, which affect the sale of various products and services in the rural market. The companies are trying to activate growth in rural areas. The low rate finance availability has also increased the affordability of purchasing the costly produces by the rural people. Although with the considerable upgradation in purchasing power, increased brand consciousness pattern and rapid spread of communication network, rural India offers a plethora of opportunities, all waiting to be harnessed. India's rural market offers a huge potential for the marketers and seems to be the replacement of urban market.

Table 1 - Population of India

	1971	1981	1991	2001	2011
Total Population (million)	548.2	683.3	848.3	1026.9	1210.19
Rural Population (million)		524	628.8	741.9	833.1
Rural proportion to total population(%)		76.7	74.3	72.2	68.84
Decadal variation		24.66	13.87	21.54	17.54

Source: Census of India

The table indicates that there is a reduction in the population growth of the country on decadal basis as well as the rural population has been reduced since last decade. As the share of the rural population is reducing it gives clear indication of the increase in the process of urbanization of the Indian towns or tier three cities to a larger extent. The growing share of the urban population is a good sign for the marketers as they can capture more population with the same efforts.

Table 2 - Rural Literacy in percentage

Rural Literacy	1981	1991	2001	2011
% of Literates	36	45	59	74

Source : Census of India, 2011

The literacy level had been improved by 38% in last 30 years from 1981 to 2011 which makes remarkable changes in terms of life style and acceptance of the various products in rural India. Literacy level is the one of the crucial factor for the development of society. Due to higher literacy level consumer consciousness towards any product or brand will be higher as well as decision for purchase of any product will be more balanced one. Higher education level brings social changes as well as it rings social alterations which results into economic changes.

The rural market now acknowledge viable market that has captured the attention of marketers, it already accounts for 56% of India's total income, 64% of expenditure and 33% of savings. Infrastructure is also developing fast, leading to the better connectivity of road (67% villages are connected by all-weather roads), by phone (30% tele-density in rural areas), and access to mass media through television. Increased electrification of households (60%) has opened up the rural market for durables. All these factors have increased the purchasing power and the demand base for and access to new goods and brands, as seen over the past decade. The future of the rural India looks brighter. The rural population holds great promise for the marketers. Rural income constitutes around 56% shares of the total income in India. The per capita in rural India has increased from INR 4860 in 1994-95 to INR

15,173 in 2010. The middle class grew six fold in this decade and expected to grow from 32 million in 2005 to 208 million in 2025. Income growth per households is expected to accelerate from the current 2.8 percent to 3.6 percent by 2025. The continuing increase in prosperity leads to increase in the demand of consumer and non-consumer goods in rural areas. An increasing labour force participation in non-farming activities has led to more income earning opportunities, and this trend is likely to grow in future, which further encourage the marketers to enter into the rural market. An increasing number of people have given up farming (declined from 63% to 50% during 2000-2010) on account of land fragmentation, declining profitability, and increasing nuclearization of families. India is no longer an agrarian economy. There is an increasing incidence of supplementary occupation-an occupation pursued either in addition of primary occupation, or on cyclical basis to augment income. Thirty percent of rural households have accompanying occupation. The government has the target to create 10 million hectares of additional potential, to provide all-weather connectivity to all habitants with over a 1,000 population, to provide electricity to 1,25,000 villages and to construct six million houses in rural areas, and to connect telephonically all habitants. The infrastructure development attracts the marketers in rural areas. The rural enterprises, especially non-farming has doubled 25 million between 1990-2025, absorbing 20 million workforce largely in services like trading and transportation, and social services, which have emerged as rapidly growing sectors in rural areas. Out of the total of 41.8 million enterprises in the country, 25.5 million (61%) are located in the rural areas. These are the driving force of demand base for the rural people. Rural markets are also very viable targets for marketers as a young population; rising income and low penetration of many consumer durables imply that they are a strong source of demand. Moreover, the consumption pattern in rural areas is witnessing a shift from necessities to discretionary products. Rural areas offer a great potential for growth in internet usage with the number of claimed internet users in these spaces to be reached at 45 million by December 2016, according to the recent IMRB survey, conducted jointly with the Internet and Mobile Association of India (IMAI)... Economy models and lower prices of mobile phones have eased the penetration of mobile devices in rural India. The penetration of the computer literates among the rural population is 8.4 per cent while the penetration of claimed internet users has grown from 2.68 per cent to 4.6 per cent. Rural market offers significant growth potential. Growing adaptability to state-of-the-art products is increasing in the minds of rural customers.

The following points important to notice in this respect:

The major Indian consumer base is present in rural areas. The FMCG sales have grown at 6-7 percent over the last couple of years, and rural markets contribute about 40-50 percent of revenue, which is very impressive. The demand for the personal care products grew faster in rural areas than urban areas. Most of the FMCG corporations have increased their hiring in rural India in order to establish a rural contact and increase visibility. The rural market will be a key growth driver for FMCG majors planning to expand their domestic business. It is estimated

that more than two-thirds of the next generation youth will come from rural India.

The rural retail market is currently estimated at US \$ 112 billion, or around 40% of the US\$ 280 billion of the Indian retail market. There has been a greater shift in purchasing from nearby towns to purchasing locally. This phenomenon has important implications for the rural marketers. The marketers can reach the rural customers by effectively utilizing the rural retail system.

The rural market volume is an indicator of the market attractiveness and this is influenced by the market size and also the market profile. The large base of population and increasing income make the rural market an attractive proposition for marketers.

Challenges of Rural Market in India

Although the rural market offers a vast untapped potential, but it should be recognised that it is not easy to operate in the market, because of several challenges. Rural market remains untapped because of mainly three challenges:- **distance, diversity, and dispersion**. As much as Rural India presents a great opportunity, there are still many challenges that have to be overcome. Dispersed population and trade, large number of intermediaries in the value chains leading to the higher costs, scarce bank and credit facilities for rural customers and retailers, highly credit driven market and low investment capacity of retailers are the other roadblocks. Thus, there are several roadblocks that make it difficult to take advantage of the rural market potential. Marketers encounter a number of problems like dealing with physical distribution, logistics, proper and effective deployment of sales force and effective marketing communication when they enter into the rural segments.

The large population base and number of households indicates a widely spread out market and it is a challenge for the marketer to deal with this dispersed market. The number of the villages is more than five lakhs and is not constant in size. Nearly half of the population lives in middle sized villages which have a population ranging from 1000 to 5000 persons. These types of distribution of population warrants appropriate distribution and promotion strategies to decide the extent of coverage of rural market.

The rural per capita income is low as compared to urban area. Low per capita income leads to low purchasing power. This apart, the distribution of income is highly irregular, since the landholding pattern, which is basic asset, is itself uneven. Thus, rural market presents a highly heterogeneous scene. Therefore few challenges arise in this respect, like; off-taking of any product by rural consumer, maintaining of inventory levels, distribution system options, and frequency of distribution. This aspect should be carefully considered by the marketers.

There is a deficiency of proper physical communication facilities in rural areas. Nearly half of the villages in the country do not have proper connectivity. Therefore reaching these villages is very difficult. Hence, distribution efforts put up by the marketers prove to be expensive and ineffective.

The rural market, by and large, are characterized by underdeveloped people and consequently underdeveloped market. A vast majority of rural people are not financially



stable and are tradition-bound, laid-back, mired in age-old customs, traditional in their habits and practices. Unfortunately, the impact of agricultural technology has not been felt consistently throughout the country. The large segments of rural population have remained untouched by technological breakthroughs.

There are enormous variations in the levels of literacy amongst rural people. Around two-fifth of the rural population is illiterate and only one-fifth holds a matriculate or higher degree. Also, literacy levels vary hugely among different states. These variations pose a challenge to easy and clear understanding of the message by all sets of rural audience. The limited reach of mass media in rural areas and its regional and state variations pose limitations on a universal approach to communication for rural consumers.

The distribution of products continues to pose an immense challenge to marketers because reaching of 7.8 million retail outlets spread across 6,40,000 villages and feeding a retail network of villages shops is a distribution nightmare. The challenges for the suppliers is the small size of each villages with low demand per outlet, coupled with the high cost of distribution since these villages are some distance away from distributors. These factors make high quality distribution unviable. The distribution of any product in the rural areas; agricultural inputs, consumables or durables, should necessarily follow a seasonable pattern.

The demand configuration in the rural areas is seasonable. The distributions in the rural areas are frequent and not uniform throughout the year.

The major challenges as highlighted through various studies may be summarised with the help of the given table:

S. No.	Major Challenges	Description
1.	Low Turnover	Limited demand in rural areas force companies to face stiff problem of low turnover that adds to the interest burden on business resources. "The whole exercise turns out to be unremunerated and unprofitable" (Sharma and Katewa, 1997, pp 245-246).
2.	High Inventory Cost	Retailers in rural outlets do not have the necessary knowledge and aptitude to decide the optimum level of inventory. In the absence of proper inventory management, they often have unnecessary stock which squeezes out their profit margin (Sharma and Katewa, 1997).
3.	Inadequate Marketing Support	Producers and wholesalers do not extend full support in the form of liberal credit to the rural outlets due to the limited potential of these outlets. This reduces their competitiveness in comparison to urban marketing institutions. Sharma and Katewa (1997) say that this problem can be administered if the network of financing agencies in rural areas is improved.

4.	Inadequate and Inefficient Communication Facilities	Rural markets cannot take the advantages of opportunities; however this situation is changing fast due to optimum utilization of information technology (Sharma and Katewa, 1997).
5.	Immature Customers	Illiteracy, poverty and untimely hurried shopping are major contributors to failure of forming associations. Consumers often need credit for shopping which puts extra pressure on rural retailers, who generally work with limited working capital (Sharma and Katewa, 1997).
6.	Inadequate bank and Credit Facilities	A large majority of the villagers do not understand banking facilities. "Retailers experience financial difficulties in business operations and also in making payments to the suppliers. They are often unable to carry enough stocks with them" (Sahoo and Panda, 1997, p.73).
7.	Availability of Appropriate Media	It has been estimated that all media in the country can reach only 30% of the rural population of India. Print media covers 18%, radio 90% and TV 20%. Thus "mass marketing communication opportunities are low" (Reddy, 1997, p.73).
8.	Rural Markets and Sales Management	Rural marketing involves a greater amount of personal selling effort compared to urban marketing. The rural salesman must be able to guide the rural consumers in the choice of products, who sometimes do not properly motivate customers. Channel management poses a problem as distribution networks in rural villages are lengthy, involving more intermediaries and consequently higher consumer process. Also, "dealers with experience are not available" (Reddy, 1997, p.44).
9.	Branding	Day by day, national brands are becoming popular; however, local brands are also significantly popular. This may be due to illiteracy, ignorance and low purchasing power of rural consumers. "Local brands are becoming popular in spite of their low quality, as the prices of these products are half those of the national brands" (Reddy, 1997, p.45).
10.	Packaging	"Smaller packages are popular in rural areas. All products are not available in small packages. Moreover, labeling is not in the local language, therefore rural people are unable to understand the product characteristics" (Reddy, 1997, pp 45-46).
11.	Awareness	Lack of awareness and understanding of consumer behaviour in rural markets creates problems in formulating strategies and marketing plans (Sharma and Rohmetra, 1997, p. 103).

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| 12. Segmentation Dilemma | Demand for product is different for people living in different areas with different climatic conditions, occupations, literacy level, outlook towards life and their exposure to modern goods and services. "The income difference between the few wealthy people and poor create differences in the demand, making segmentation difficult" (Sahoo, 1997, p.72). | 19. Low Standard of Living | "Rural consumers have low per capita income, low purchasing power and a low literacy rate, contributing to a low standard of living (Dey and Adhikari, 1998, p.21). "However, this is changing as consumers are becoming slowly literate" (Ramaswami and Namakumari, 2002, p. 697-699). |
| 13. Vastly Scattered Market | About 75% of the total population is spread in rural areas. In some states, 80-90% of the population lives in rural areas. "Demand is not concentrated and scattered proving difficult for marketing communications" (Dey and Adhikari, 1998, p.21). | 20. Transportation Bottlenecks | Most rural markets are paralysed in the absence of proper transportation and networking systems. "Rural people generally deal with agro-based products like fruits, vegetables, fish, poultry and dairy products, which get spoilt if not transported properly"(Sharma and Katewa, 1997, p.246). Lack of proper roads and railway networks account for disruptions. The most common method of transportation is delivery vans and animal drawn carts. "There exists difficulty in accessibility and delivery of products and services" (Ramaswami and Namakumari, 2002, p. 709-710). |
| 14. Seasonal Demand | The pre- dominance of agriculture often causes fluctuation in income patterns. Influences of festivals, marriages affect the purchasing power of consumers. "During harvest time and in festivals, demand increases significantly". (Dey and Adhikari, 1998, p.21). | 21. Lack of Desire for New Lifestyle | Being a tradition bound community; rural consumers are strongly influenced by culture, religion and superstition. They tend to stick to old customs and the pace of life is slow (Dey and Adhikari, 1998). Ramaswami and Namakumari (2002, p. 698) say that "this is undergoing a significant change". |
| 15. Urban Mind Vs. Rural Mind | There is a tremendous difference between urban and rural mindset. There exist a huge gap between consumer behaviour in rural areas and urban areas. Marketers are from urban areas and their mind thinks in an urban style, and there is difficulty to relate to the urban consumer (Dey and Adhikari, 1998). | 22. Insufficient Storage and Warehousing Facilities | "Businesses often have storage problems and it is often difficult to find storage space in rural areas" (Ramaswami and Namakumari, 2002, p.710). This problem affects the service and cost aspect of distribution systems. Maintaining the required service level in delivery of products becomes very difficult. The cost of distribution becomes escalated. |
| 16. Overall Backwardness | Rural people are economically backward, poverty being one of the main reasons. It confines people to basic necessities (Dey and Adhikari, 1998). | 23. Lack of Proper Planning | Most retailers in rural markets do not start a business for economic reason; rather they are established and run with non- business objectives, sometimes compulsively to fight unemployment. They do not have a profit motive and is undertaken as just another way of life (Kashyap, 2003). |
| 17. Language Problem | Multiplicity of languages spoken in villages is another difficulty faced by marketing people. This poses insurmountable problem in designing the communication strategy (Dey and Adhikari, 1998). More than 30 languages and 1700 dialects make rural communications difficult. Urban are largely dominated by English and Hindi, rural areas often need communication programs to be in local language and idiom. | 24. Ancient and Obsolete Business Techniques | Rural marketing is run on old management lines, and lacks specific management skills, resulting in an inability to attract and serve customers. It is devoid of modern advertising strategy and aggressive salesmanship (Kashyap, 2003). |
| 18. Liberalisation and Globalisation | India is passing through a transition phase, and urban markets are flooded with foreign products. These will soon enter the rural markets questioning the survival of Indian brands. India's consumer base is poor, and customers prefer value for money. Foreign brands, with inherent cost structures are delivering affordable products. To survive, Indian brands need better distribution systems and retailer service (Bijapurkar, 2001, p.17). | | |



The rural market in India is undergoing a massive change. These changes have resulted in shifting the marketable battlefields from urban to rural. Most of the companies treat rural market as a clearance ground for the lower end products designed for urban audience. But, this scenario is slowly changing and importance is given to the need of the rural customer. Considering the evolving issues and challenges, government support is necessary for the development of marketing. The government may fine-tune suitable budget allocations to rural infrastructure plans, and proper supervision for effective plan implementations. Marketers should understand these challenges and then make strategies in the light of these challenges to face them and to tap the rural Indian market and importance has to be given to the need of the rural customer.

Swot Analysis Matrix of Indian Rural Market

A SWOT analysis matrix has been developed to interpret the challenges and opportunities of rural markets. The matrix comprises of the Strengths, Weaknesses, Opportunities and Threats of Rural Markets. After defining SWOTs of rural markets, Opportunities are compared against Strengths and then Weaknesses to draw SO and WO Strategies. Threats are also compared against Strengths and then Weaknesses to draw ST and WT Strategies. These strategies help out the marketers to tap the rural market, and to combat the threats, and grabbing the opportunities available in rural India. The matrix may be of great help to the marketers in order to formulate the strategies in accordance with the results revealed thereof. The matrix has been prepared with the help of exhaustive review of available literature extracted from various studies conducted on rural markets as well the analysis has been made by reviewing the major difficulties faced by companies and the solution implemented by them, that have successfully penetrated the rural markets.

Strategies for Rural Market

Almost 70% of the Indian population resides in villages and rural areas. Rural India consumes almost 60% of the total goods manufactured in India with large number of products coming from FMCG sector. Products like shampoo or skin moisturizer were never within the means of people in the rural areas because the price was too high. CavinCare came out with a pioneering idea of manufacturing small sachets of shampoo priced at 50 paise. Suddenly shampoo which was not at all a popular product in rural areas had great demand in the market. This model was soon shadowed by other FMCG companies where re-packaging of products like shampoos, soaps, toothpaste, detergents was done in the form of small sachets with a low price assortment. But due to the underprivileged infrastructure in the rural areas marketing the products is a big headache for the FMCG companies.

A marketing strategy which is massively unexploited by most of the companies is employing the villagers themselves to market the products. HUL has been the pioneer in this form of marketing. HUL has initiated the Shakti campaign where women in villages are employed to form a delivery network of HUL products in the rural areas. Employing local people for marketing particularly in areas where it is challenging to commute was an innovative way to increase accessibility and marketing of the Bottom of the Pyramid (BoP) products. Taking into consideration the enormous market share that FMCG products hold in the rural areas, more companies may follow this strategy to market their products and have a superior reach. Though electricity is one of the major hindrances in rural areas the problem can be overcome by extensive use of solar energy

The firms carrying out their business in rural markets have to perceive and evaluate the opportunities as well threats that exist in this extremely heterogeneous and unpredictable market. The large number of geographically dispersed villages presents a major encounter to the marketer in reaching to rural consumer and this requires exploring innovative ways to reach products and services. Occupation and the income stream have major implications for segmentation and targeting rural marketing effort. In addition to offering apt price and package size, the channels to deliver the price and products are influenced mutually by occupation and income. The majority of consumers with limited income propose a large market for essential product and a value for money propositions. The marketers need to examine the potential of rural market for a distinct market offerings and developing the strategies for marketing mix in rural markets on the basis of four important components: - Product, Pricing, distribution, and promotional strategies:

For progressing product strategies, the marketers should think in terms of low unit price and low volume packing's which convey a perception of sturdiness and utility in the minds of rural consumers. Whenever necessary, redesigning of the product can also be thought of depending on the customs, traditions, proscriptions and habits, of rural customers. In

Internal Factors	Strengths	Weaknesses
	S1: Large Indian Rural Population	W1: Lack of good Infrastructure W2: Lack of physical distribution network W3: Low consumption level W4: Less Research and Development
	S2: Good Government Support	
	S3: Availability of Products, Raw Material	
External Factors	Opportunities	Strategies
	O1: Growing Income Levels of Rural Consumers	1. Customization of Products according to rural consumer demographics.(S1,S3,O1,O4) 2. Strengthening of supply chain system with government support and infrastructure.(S2,O5) 3. Launching of Branded Products in rural markets due to increasing literacy rate and brand awareness.(S3,O2,O3)
	O2: Growing Literacy Levels	
	O3: Growing quality Consciousness	
	O4: Changing Socio-Economic Scenario	
	Threats	Strategies
	T1: Increasing Grey Market	1. Educate rural consumers on Product quality and usage(S1,S3,T2,T3) 2. Implementation and Amendment of laws / rules/regulations to control the Grey Market(S2,T1) 3. Product Awareness using rural media(T2)
	T2: Growing Competition	
	T3: Less Knowledge levels on Product Identification	

addition, a brand name or logo or symbol, which conveys the purpose, utility and quality of the product, is essential for the rural customer to identify the product with. Marketers should understand the psyche and needs of the rural customers and then produce accordingly.

Pricing strategies are closely associated to the product strategies. The product packaging and presentation also offer scope for keeping the price low to suit the rural purchasing power. The marketers aim to reduce the value of the product to a reasonable level, so that a bigger segment of the population can purchase it, thus intensifying the market. This is the most common strategies widely adopted by the marketers to enter into the rural market.

For construction of distribution strategies in rural areas, it is necessary to keep in mind; the physiognomies of the product, consumable and non-consumable, and life cycle and other factors relating to distribution. Marketers should examine carefully the market potential of different villages and target the villages that can be served in a financially sustainable manner through an organized distribution effort. The marketers may distribute the products through Co-operatives societies and by utilising the services of Public distribution system, developing of multi-purpose distribution centres by Petroleum /Oil companies, distribution up to the feeder markets/mandi towns, haats/melas, and agriculture input dealers.

The promotional measure or strategies picked should be cost effective, while consumable products may warrant the usage of mass media since the target consumers are substantial, durable products will require personal selling efforts because of smaller size of target. The fewer rural population has access to a vernacular newspaper and size of rural population is illiterate and put up the constraint on print media. The audio visuals must be intended by the marketers for promotional purposes. The traditional forms of promotional measure should be used in promotional strategies.

Conclusion

Indian Rural Market play a pivotal role as it offers great opportunities to the corporates to stretch their reach to nearly seventy percent of residents. Rural market also paybacks the rural economy by providing infrastructure facilities, elevating the standard and quality of life of the people residing in rural areas. Though the rural market has become a desired destination for every marketer, it is important to comprehend that it has lot of challenges and risk; therefore companies should assess the obstacles as heedfully as possible. Anexhaustive understanding of rural markets and systematic move is necessary to penetrate rural market. In order to develop marketing strategies and action plans, the corporates need to take into account the complex factors that influence the rural consumers buying behaviour. The rural market is developed by escalating purchasing power, changing consumption pattern, increased access to information and communication technology, improving infrastructure and increased government initiatives to boost the rural economy. The

marketers tune to their strategies in harmony to the rural consumer in the coming years. In spite of all complexities involved in the rural marketing, the scene of rural environment is varying steadily in India. The biggest challenge today is to develop a scalable model of persuading the rural customer mind over a large period of time and keep it going. Traditional urban marketing strategies will have to be localized as per the demands of the rural markets. It has to reach out to rural shoppers and relate to them at a fitting level, so that it can bring about the desired behavioural change. Government support is necessary for the development of rural market in India to face the emerging issues and challenges in the primary areas like; transportation, communication, roads, and credit institutions, crop insurance for better utilization of land and water management. The rural markets are enticing and marketing to rural consumers is exciting. However, a strong understanding of the rural consumers and their current and future expectations are the major part of strategies to tap the rural market nowadays.

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