

## RURAL MARKETING IN INDIA: OPPORTUNITIES AND CHALLENGES

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### ABSTRACT

Businesses in India are now more confident than ever about the growth of the country's rural consumer markets. On account of the green revolution in India, the rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely, rural marketing has taken shape. With urban markets getting saturated for several categories of consumer goods and with rising rural incomes, marketing executives are fanning out and discovering the strengths of the large rural markets as they try to enlarge their markets. Companies are coming up with new technology and they are properly communicating it to the customer. The perception of the Indian about the desired product is changing. Now they know the difference between the products and the utilities derived out of it. Marketers and manufactures are increasingly aware of the burgeoning purchasing power, vast size and demand of the consumers. Efforts are now on to understand the attitude of rural consumers. This paper tries to understand what rural markets are? The challenges faced by the companies and opportunities available to them including potential of the rural market.

**Keywords:** green revolution, rural market & rural marketing, challenges, opportunities.

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## Introduction

According to the census 2011, 68.84% of the populations live in 6, 40,867 villages in the new millennium. Rural Sector is high on the priority list of the present government, within the National Common Minimum Programme and outside it. Unlike the developed countries, 'rural' in India means absence of physical infrastructure (i.e., roads, electricity) and social infrastructure (i.e., schools, healthcare, sanitation and drinking water, sewage treatment). If India is falling behind on the target of attaining of Millennium Development Goals set for 2015 that is largely because of certain geographical areas, largely because of the rural areas. Rural areas are deprived not only of physical and social infrastructure but also to markets. That prevents the exploitation of comparative advantage and specialisation.

The rural market of India started showing its potential in the 1960s. The 70s and 80s witnessed its steady development. And, there are clear indications that the 21st century is going to see its full blossoming. In our country, where research on consumer behaviour has been nominal, not much systematized information is available about the rural consumers. Indian marketers as well as multinationals, such as Colgate-Palmolive, Godrej and Hindustan Lever have focused on rural markets. But, by and large, we have still to understand the rural buyer, his habits, attitudes and behaviour, particularly from the marketing point of view.

Many assumptions prevail about rural marketing. For instance, one assumption is that the rural buyer is not very discriminating. Once he is persuaded to buy a particular product, he develops a strong affinity for it, and if satisfied, becomes brand loyal. As a result, Indian manufacturers are generally known to prefer selling fewer items at higher prices than selling more items at lower prices. A contrary view is that the rural buyer, being suspicious of the marketer's hardsell techniques, is quite discriminating, and is not easily persuaded. Some other assumptions can be quoted. But, all these need deep probing for arriving at valid and reliable conclusions. Consumer research, thus, is indispensable for entering the rural segment of the market.

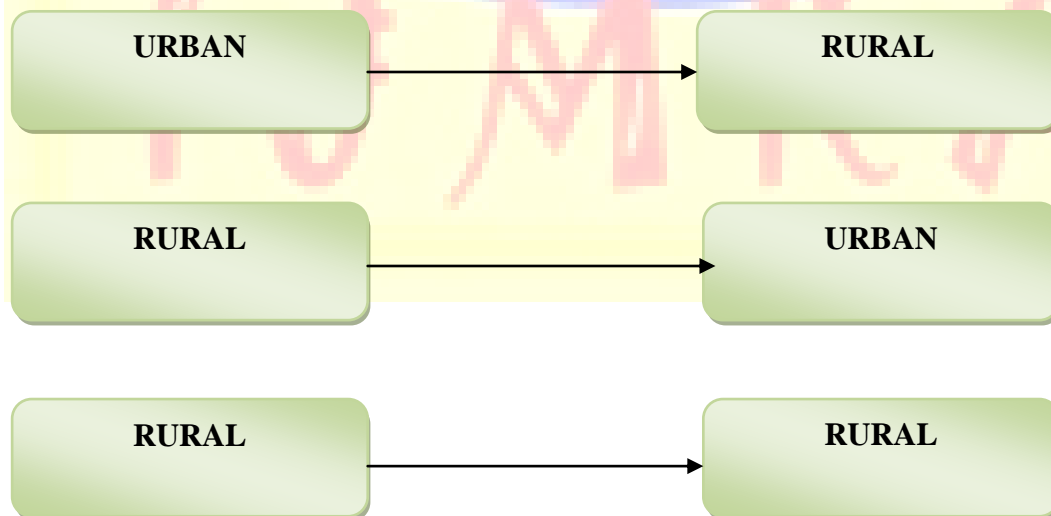
### **Objective of the study:**

- To develop an insight into rural marketing.
- To discuss the challenges and opportunities in the field of rural marketing.

### **Meaning of Rural Marketing**

According to National Commission on Agriculture, “Rural marketing is the process which starts with a decision to produce a saleable farm commodity and it involves all the aspects of market structure or system, both functional and institutional, based on technical and economic considerations and includes pre and post harvest operations, assembling, grading, storage, transportation and distribution.”

The term ‘rural marketing’ used to be an umbrella term for the people who dealt with rural people in one way or other. This term got a separate meaning and importance after the economic revaluation in Indian after 1990. Rural marketing is a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas. The urban to rural flow consists of agricultural inputs, fast-moving consumer goods (FMCG) such as soaps, detergents, cosmetics, textiles, and so on. The rural to urban flow consists of agricultural produce such as rice, wheat, sugar, and cotton. There is also a movement of rural products within rural areas for consumption.



## Phases in Rural Marketing

### **Part I (Before 1960):**

Rural marketing referred to selling of rural products in rural and urban areas and agricultural inputs in rural markets. It was treated as synonymous to 'agricultural marketing'. This was totally an unorganized market where all *baniyas* and *mahajans* (local business people) dominated this market.

### **Part II (1960 to 1990):**

The greatest thing which happened in this period was green revolution which led to farming involves scientific and technological methods and many poor villages become prosperous business centres. Rural marketing meant "marketing of agriculture inputs" and "agriculture marketing". Agencies like khadi and village industries commissions bloomed and government paid attention to promote these products.

### **Part III (After Mid 1990s):**

Rural markets were seen an adjunct to urban market and conveniently ignored. However, since 1990s, India's industrial sector had gained in strength and maturity. Its contribution to GNP increased substantially. Rural marketing represented the emergent distinct activity of attracting and serving rural markets to fulfil the needs and wants of persons, households and occupations of rural people. As a result of the above analysis, we are in a position to define rural marketing "Rural marketing can be seen as a function which manages all those activities involved in assessing, stimulating and converting the purchasing power into an effective demand for specific products and services, and moving them to the people in rural area to create satisfaction and a standard of living for them and thereby achieves the goals of the organization".

## Characteristics of Indian Rural Market:

- 1. Large and scattered population:** The rate of increase in rural population is also greater than that of urban population. The rural population is scattered in over 6 lakhs villages. The rural population is highly scattered, but holds a big promise for the marketers.
- 2. Higher purchasing capacity:** Purchasing power of the rural people is on rise. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.
- 3. Market growth:** The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durable such as refrigerators, TV and washing machines has also grown over the years.
- 4. Development of infrastructure:** There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.
- 5. Low standard of living:** The standard of living of rural areas is low and rural consumers have diverse socio-economic backwardness. This is different in different parts of the country. A consumer in a village area has a low standard of living because of low literacy, low per capita income, social backwardness and low savings.
- 6. Traditional outlook:** The rural consumer values old customs and traditions. They do not prefer changes. Gradually, the rural population is changing its demand pattern, and there is demand for branded products in villages.
- 7. Marketing mix:** The urban products cannot be dumped on rural population; separate sets of products are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers.

## Rural Marketing Potential in India:

We all accept that the heart of India lives in its villages and the Indian rural market with its vast size and demand base offers great opportunities to marketers. Rural marketing involves

addressing over 833.1 million potential consumers. Wonder, the rural markets have been a vital source of growth for most companies. For a number of FMCG companies in the country, more than half their annual sales come from the rural market.

Among various media of communication, television and radio have played prominent roles in the rural India today. In the South, the penetration of satellite television is very high. Due to globalisation, economic liberalisation, IT revolution, female power, and improving infrastructure, middle and rural India today has more disposable income than urban India.

Rural marketing is getting new heights in addition to rural advertising. Rural marketing gives challenge to ensure availability of product or service in India's 6, 40,867 villages spread over 3.2 million square kilometres. Marketers have to locate over 800 million rural Indian and finding them in not easy.

The size of the rural market is one that companies cannot afford to ignore. Thus, looking at the challenges and opportunities, which rural markets offer to the marketers, it can be said that the future is very promising for these who can understand the dynamics of rural markets and export them to their best advantage.

“It is often said that markets are made not found.” This is especially true for the rural market like India. Rural market is a market for a truly creative marketer.

### **Why companies go for rural marketing/opportunities**

If we go by statistics, roughly around 70% of the Indian population lives in the rural areas. That is almost 12 % of the world population. To expand the market by tapping the countryside, more and more MNCs are foraying into India's rural market. Below are the few points why organizations are looking at rural marketing with a positive attitude:

- 1. Population:** According to 2011 Census rural population is 72% of total population and it is scattered over a wide range of geographic area. That is 12% of the world population which is not yet fully utilized.

2. **Rising rural prosperity:** Average income level has unproved due to modern farming practices, contract farming industrialization, migration to urban areas etc. There has been an overall increase in economic activities because during the planned rural development heavy outlay of resources on irrigation, fertilizers, agricultural equipment's and agro processing industry has been made. Saving habits in rural people also has increased. This too contributes in higher purchasing power.
3. **Growth in consumption:** There is a growth in purchasing power of rural consumers. But, the average per capita house hold expenditure is still low compared to urban spending.
4. **Change in lifestyle and demand:** Life style of rural consumer changed considerably. There has been increase in demand for durables and non-durables like table fans, radios, mopeds, soaps, etc. by rural consumers. This provides a ready market for the producers. Rural market is expanding day after day.
5. **Market growth rate higher than urban:** The growth rate of fast moving consumer goods [FMCG] market and durable market is high in rural areas. The rural market share is more than 50% for products like cooking oil, hair oil etc.
6. **Life cycle advantage:** The products which have attained the maturity stage in urban market are still in growth stage in rural market.
7. **IT penetration in rural India:** Today's rural children and youth will grow up in an environment where they have information access to education opportunities, job opportunities, government schemes, and worldwide news and mandi prices. Rural areas offer a great potential for growth in internet usage with the number of claimed internet users in these spaces has reached at 45million by Dec. 2012. As the electronic ethos and IT culture moves into rural India, the possibility of change are becoming visible.

## Challenges/problems in rural marketing:

There are many problems to be tackled in **rural marketing**, despite rapid strides in the development of the rural sector. Some of the common problems are discussed below:

- 1. Transportation:** Transportation is an important aspect in the process of movement of products from urban production centres to remote villages. The transportation infrastructure is extremely poor in rural India. Due to this reason, most of the villages are not accessible to the marketing man. Regarding rail transport, though India has the second largest railway system in the world, many parts of rural India however, remain outside the rail network.
- 2. Communication:** A large number of rural families own radio and TV sets, there are also community radio and TV sets. These have been used to diffuse agricultural technology to rural areas. However, the coverage relating to marketing is inadequate. Even today, most villages in the country are inaccessible during the monsoons. A large number of villages in the country have no access to telephones. Other communication infrastructure is also highly underdeveloped.
- 3. Warehousing:** A storage function is necessary because production and consumption cycles rarely match. Many agricultural commodities are produced seasonally, whereas demand for them is continuous. The storage function overcomes discrepancies in desired quantities and timing. In warehousing too, there are special problems in the rural context. The central warehousing corporation and state warehousing, which constitute the top tier in public warehousing in our country, have not extended their network of warehouses to the rural parts. It is almost impossible to distribute effectively in the interior outlets in the absence of adequate storage facilities.
- 4. Underdeveloped people and markets:** The number of people below the poverty line has not decreased in any appreciable manner. Thus, poor people and consequently underdeveloped markets characterize rural markets. A vast majority of rural people is



tradition bound, and they also face problems such as inconsistent electrical power, scarce infrastructure and unreliable telephone system, and politico-business associations that hinder development efforts.

5. **Language and dialects:** The languages and dialects vary from state to state, region to region and probably from district to district. Since messages have to be delivered in the local language, it is difficult for the marketers to design promotional strategies for each of these areas. Facilities such as phone, telegram and fax are less developed in villages adding to the communication problems faced by the marketers.
6. **Low level of literacy:** The level of literacy is lower compared with urban areas. This again leads to a problem of communication in these rural areas. Print medium becomes ineffective and to an extent irrelevant, since its reach is poor.
7. **Sales force management:** Rural marketing involves a greater amount of personal selling effort compared to urban marketing. The rural salesman must also be able to guide the rural customers in the choice of the products. It has been observed that rural salesmen do not properly motivate rural consumers. The rural salesman has to be a patient listener as his customers are extremely traditional. Channel management is also a difficult task in rural marketing. The distribution channels in villages are lengthy involving more intermediaries and consequently higher consumer prices. In many cases, dealers with required qualities are not available.
8. **Difficulties in market research:** Marketers are often unable to obtain a true picture of the needs and wants of the rural people due to difficulties in conducting market research. Wide geographical spread and vast variation in languages increase the time and costs involved. Moreover, a conservative outlook often restricts women from taking the surveys.
9. **Inadequate banking and credit facilities:** In rural markets, distribution is also handicapped due to lack of adequate banking and credit facilities. The rural outlets require banking support to enable remittances, to get replenishment of stocks, to facilitate

credit transactions in general, and to obtain credit support from the bank. Retailers are unable to carry optimum stocks in the absence of adequate credit facilities. Because of this problem, they are not able to offer credit to the consumers. All these problems lead to low marketing activities in rural areas.

### **Recommendations for effective rural marketing**

- The Government has to develop infrastructure facilities like roadways, railways etc., in rural areas so as to reach large Indian rural market.
- The rural communication facilities like telecommunication systems, internet facilities, broadcasting systems etc., have to be improved so that there will not be any communication gap among players of the rural market segments.
- Effective Supply Chain Management practices can bring down the various costs associated with rural markets like distribution cost, cost of communication, customer cost, cost of sale etc. Suitable structure of support prices for various farm commodities should be adjusted timely.
- Educating rural consumers is the key to successful rural marketing. Rural consumers need to be educated in all aspects like usage of the products, gathering product information, consumer rights, laws and regulations, getting the right product at right place at right cost in right time.
- The efficient marketing is predominantly influenced by efficient distribution system it means products should reach ultimate consumer in the quickest time possible at minimum cost.

### **CONCLUSION:**

The rural market of India is fascinating and challenging at the same time. The Indian rural market has gained significance in the recent times as the overall economic growth of the country has led to an improvement in the living standards of the rural people. Even a small growth can push up the sales of a product substantially, despite the fact that there are enormous amount of problems. Rural marketing will become an important playground for our marketers who can

understand the dynamics of rural markets and exploit them to their best advantage. Successful rural marketing calls for a review of the rural marketing environment, developing proper understanding of the nature and profile of rural consumers, designing the right products to appeal to them, and adopting suitable media as well as appropriate strategies for communication and distribution. It is generally believed that markets are created, not found. This is especially true in case of the rural market of India. It is a market for the truly creative marketer.

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