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Rural Market in India as Challenges and Ways Ahead

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Abstract:

It is often said that market is made, not found. This is especially true for the rural market in India. Rural marketing is nowadays fascinating the marketers as it has untapped opportunities ahead for them. As 70% of the population resides in rural areas. Therefore, targeting that segment could bring unattainable result and share for the companies. Rural Market has been quite a novel & an interesting marketing concept world over. The large population of people living in the rural areas has led and resulted the different marketers as well as producers to target this rural world. This paper basically talks about all those problems that the Co(s) may or have faced in promoting their products in the rural markets. Different challenges exist for the managers in how to best market their brands and establish themselves amongst rural people. In addition to the challenges & hindrances, the report also focuses on the many opportunities that basically attract the marketers to come and promote their products.

Key words: Rural Marketing, Opportunities, Challenges

1. Introduction

Rural Marketing is defined as any marketing activity in which the one dominant participant is from a rural area. This implies that rural marketing consists of marketing of inputs (products or services) to the rural as well as the marketing of outputs from the rural markets to other geographical areas. Marketing is the process used to determine what products or services may be of interest to customers, and the strategy to use in sales, communications and business development. It generates the strategy that underlies sales techniques, business communication, and business developments. It is an integrated process through which companies build strong customer relationships and create value for their customers and for themselves. It is a function which manages all the activities involved in assessing, stimulating and converting the purchasing power to effective demand for a specific product and service. This moves them to the rural areas to create satisfaction and uplift the standard of living.

India's growth move is highly driven by the development of the rural people. Players in various industries such as retail, fast moving consumer goods (FMCG), consumer durables, automobiles, are looking towards the untapped potential hinterlands possess. The household consumer expenditure survey for 2009-10, released by the National Sample Survey Office (NSSO), reveals that rural Indian households are spending more on consumer goods like durables, beverages and services as compared to their expenses for such things five years back. The Indian rural market is an area of darkness to Indian corporate. Rural area is vast in size, but amorphous in detail. And yet, the rural market represents the largest potential market in the country. With over 70% of India's population residing in rural areas, capturing these markets is becoming one of the most lucrative options for all sectors. In the wake of economic crisis, while the urban markets remain subdued due to cash crunch, the rural economy has remained largely unaffected. A good harvest has further added to their respite. As a result, marketers are focused on small towns and villages with dedicated workforce. At present, rural consumers spend about USD 9 billion per annum on FMCG items and product categories such as instant noodles, deodorant and fabric, with the pace of consumption growing much faster than urban areas. The McKinsey report (2007) on the rise on consumer market in India predicts that in twenty years, the rural Indian market will be larger

2. Features of Indian Rural Markets

- Large and Scattered market: The rural market of India is large and scattered in the sense that it consists of over 63 crore consumers from 5, 70,000 villages spread throughout the country.
- Major income from agriculture: Nearly 60 % of the rural income is from agriculture. Hence rural prosperity is tied to agricultural prosperity.
- Traditional Outlook: The rural consumer values old customs and tradition. They do not prefer changes.
- Diverse socioeconomic backwardness: Rural consumers have diverse socioeconomic backwardness. This is different in different parts of the country.

- Infrastructure Facilities: The Infrastructure Facilities like roads, warehouses, communication system, financial facilities are inadequate rural areas. Hence the physical distribution becomes costly due to inadequate Infrastructure facilities. The rural bazaar is booming beyond everyone's expectation. An estimated induction of Rs 140 billion in the rural sector through the government's rural development schemes in the Seventh Plan and about Rs 300 billion in the Eighth Plan is also believed to have significantly contributed to the rapid growth in demand.
- On account of green revolution, the rural area are consuming a large quantity of industrial and urban Manufactured products. thus a special marketing strategy emerged known as rural marketing. Rural marketing involves delivering manufactured and processed inputs or services to rural producers or consumers

2.1. What makes rural marketing attractive?

- Untapped rural potential
- 6,27,000 villages across the country
- Account for 70% of population
- 60% of national demand for various Product categories

2.2. Rural Markets are Becoming More Important

The rural markets have become a favourable destination for marketing companies in view of the following reasons:

- Competition in Urban Markets - The level of competition in the urban markets has intensified and is increasing tremendously. It is also stated by many experts that the urban markets are almost saturated. Therefore, penetration into rural markets is inevitable for sustained business growth. The rural markets are relatively untapped, and this provides better scope for growth.
- Changing Consumption Pattern in Rural Areas - The consumption pattern in rural India and the demand for new products has shown an encouraging trend. The purchasing power of rural consumers has increased significantly over the past decade. This, in turn, has transformed the consumption pattern.
- Improved Lifestyle - The rural consumer is no longer dependent only on traditional products. For instance, in most villages, shampoos have substantially replaced the traditional product shikakai which the rural people have been using, since years. Similarly, the use of gas cylinders has become popular in place of conventional chulas. Today, the consumption basket of rural people is not limited to agricultural and allied products. They are keen on buying modern products that can augment their style of living.
- Huge Population Base - The huge population base in rural India provides a massive opportunity for the companies to sell their products and services on a sizeable scale. Apart from a large population, the increased presence of media and higher literacy level has created a lot of awareness amongst them.
- Rapidly Growing Market - At a conference organized by the Confederation of Indian Industry (CII-Northern Region), Somak Ghosh, President, Corporate Finance and Development Banking said, "India's rural markets are growing at double the rate of urban markets. The total number of rural households has risen from 135 million in 2001-02 to 153 million in 2009-10 giving a tremendous push to the rural retail opportunity." The rural consumer is changing and is now willing to experiment with new products. On the one hand, they purchase products of basic necessity, while on the other hand they are even buying luxury products that can offer some comfort. Therefore, the opportunities in these markets are quite large and need to be explored.

2.3. The Four P's In Rural Marketing

The 4 Ps of marketing might have to be modified as per the requirements and expectations of the rural people.

- Rural Product Strategy
The rural markets generally prefer simple and easy to use products. The packaging has to be convenient and cost-effective. Sophisticated packaging that only adds to the cost and does not provide any additional convenience is of no help. For instance, the sachet revolution played a great role in making many consumer products popular in the rural areas. The product literature should be simple and easy to grasp. The information provided should outline the functional benefits clearly and in a transparent manner. The products should be able to cater to the distinct needs of rural customers and provide value for money.
- Examples
HUL developed a combined soap and shampoo that was cost-effective and also less harsh on hair than ordinary soaps. HUL launched the new soap-cum shampoo 'Breeze 2-in-1'

LG Electronics launched its Sampoorna television with Devanagari script on-screen display, which also provided better signal reception in rural areas.

Bank of India introduced the concept of Bhumiheen credit cards to extend credit card facilities to landless farmers.

Nokia has introduced mobile phones for rural markets with features that suit the rural users such as local language, call limits, etc.

- Rural Pricing Strategy

The rural customer is price sensitive and expects value for money. Therefore, the pricing has to be in line with this expectation. Marketers have to therefore devise strategies that can make their products affordable for rural customers. Many companies have opted to offer their products in smaller units so as to make them more viable for the rural markets. More importantly, the concept of value engineering should be applied to rural markets to make the products affordable. This technique involves replacing costly raw materials with cheaper ones, without sacrificing quality and functionality. This concept has already been implemented in the food industry, where the soya protein has replaced milk protein in many food products. Although soya protein is cheaper as compared to milk protein, the nutritional value remains the same. However, if the product belongs to an expensive category like high end mobile phones, then the positioning has to be done in a way that the product is perceived as a bundle of utilities by the rural customer, which still provides value for money in its category.

- Examples

Godrej has introduced its Cinthol, Fair Glow and other Godrej products in 50 gram packs that are priced at Rs. 4-5, particularly in the markets of Uttar Pradesh, Madhya Pradesh and Bihar.

Lux toilet soap is made available in 25 gram packs in rural areas.

Philips introduced its free power radio, a radio that does not require power or battery for operation, for Rs. 995.

Tata Tea introduced a new brand of tea, Agni Sholay, in three different packs to cater to the needs of all the segments in rural areas. It was priced at Rs. 31.50, Rs. 13 and Rs. 6.50 respectively for 250, 100 and 50 gram packs.

- **Rural Place Strategy:** All possible efforts should be made to make the products available at the doorstep of the target audience. Direct contact with the local vendors and retailers has to be established. Fairs and festivals can be utilized to ensure adequate distribution of one's products. Formulating an integrated and efficient channel of distribution remains a challenge for the marketers. However, several companies have been able to establish a distribution system that has catered to the rural people efficiently.
- **Examples**
ITC, through its format eChoupal, uses the Internet to communicate and reach out to the rural people.
Hindustan Unilever uses vans to deliver its products to local vendors and retailers in rural areas, thus vastly improving its reach. The delivery vans serve as mobile warehouses.
Ajanta India distributes its products (toothpaste, toothbrush, shaving cream, etc.) through the paan wala as well as through chemist stores. The company has approximately 700 distributors all over the country.
Many companies even use animal carts to carry their products, so that they can reach even the remotest areas which are not connected by motor able roads.
- **Rural Promotion Strategy**
The promotional activities should be undertaken through media that are comfortable and appropriate for the rural areas. Positive word-of-mouth through local reference groups and opinion leaders is considered as the key to success in the rural markets. Traditional art forms such as puppet shows and street plays or creating awareness through village panchayat members can prove to be fruitful. Other methods like distribution of pamphlets, use of mobile publicity vans and advertising on walls can also assist in establishing a relationship with the rural masses.
- **Examples**
Asian Paints selected some opinion leaders in the villages and painted their houses to demonstrate that the colour does not come off.
Life Insurance Corporation of India made use of puppet shows to create awareness amongst the rural people regarding the importance of insurance products.
ICICI Prudential promoted its product in the haats, mandis and other local markets organized in the rural areas. It also educated the rural people by advertising through mobile vans.
Many companies use folk theatre formats as a means to promote their products. The Government of India utilized this medium for selling seeds and fertilizers.

3. Review of Literature

According to NCAER, a rural Market is any market that exists in the rural area with a population less than 10,000, where the real density of population at any population nucleation is low without any significant infrastructure. (NCAER.). According to Census of India 2001, out of total population of 102.7 crores, 74.2 crore are in rural areas (Census of India 2001). That makes it 72.2 percent of the country's population. Also, in absolute terms, the rural population is increasing at a higher rate than the urban population. The significance of these figures is that even a small percentage increase in overall income would lead to the addition of a large number of Customers bringing in much needed volumes (Ramakrishnan 2006). (Sharma and Katewa (2005) discussed in his study that the rural market in India is made up of two broad compartments. One, which deals in consumer products produced by industries and the second, which deals in farm produce. Srinivas (2007) stated that the India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

4. Research Methodology

Research is a process of systematically obtaining accurate answers to significant and pertinent questions by the use of scientific method of gathering and interpreting information. This study is an exploratory in nature; it states the role of rural market in Indian economy. Similarly, this paper includes the determination of various challenges faced by the rural market and various future opportunities on the way of its growth and development.

4.1. The Objectives Of This Paper Are As Follows

- To study the role of Rural Market in Indian Economy
- To determine the challenges faced by Rural Market in India.
- To analyze the future opportunities on the way of development of Rural Market.

5. Challenges Faced By Rural Market in India

The peculiarities of the rural markets and rural consumers pose challenges to the marketers in reaching them effectively. While making out a case for the opportunities that are rapidly developing in rural markets, one should not underestimate the several daunting problems in planning for growth. Due to these problems marketing efforts are constrained in several ways. There are a large number

of small villages which are not easily accessible because of all weather roads. Rural consumers are far less homogeneous than urban consumers. Similarly the rural market is facing various challenges in India that are as follows:

- **Low Per Capita Income:** Per capita income is lower in rural areas compared to those in urban areas. Again, the distribution of rural income is highly skewed, since the land holding pattern, which is basic asset, it is skewed. Thus the rural population presents a highly heterogeneous spread in the villages.
- **Seasonal Marketing:** The main problem of rural marketing is seasonal demand in rural areas, because 75 percent of rural income is also seasonal. For example, the demand for consumer goods will be high during the peak crop harvesting period, because this is the time at which the rural people have substantial high cash flow. Rural marketing depends upon the demand of rural people and demand depends upon income and consumer behavior.
- **Packaging:** It is the first important step of product processing. If the packaging cost is high, it will increase the total cost of products. It is suggested that the marketers should use cheaper materials in packaging for the rural markets. For example, small polypack of refined oil is more popular than in containers of the same product due to its lowest cost. One more important factor is the size package, e.g. the size of the package should be small.
- **Low Level of Electricity:** The literacy rate is low in rural areas compared to urban areas. This again leads to the problem of communication for promotion purpose. Print medium becomes ineffective and to an extent irrelevant in rural areas since its reach is poor.
- **Transportation problems:** Transportation infrastructure is quite poor in rural India. Nearly 80 percentages of villages in the country are not connected by well constructed roads. Marketing activities require transportation facilities. Due to poor transportation facilities, farmers and marketers find it difficult to reach markets.
- **Warehousing:** In the rural areas, there are no facilities for public as well as private warehousing. Marketers face problem of storage of their goods.
- **Media Problems:** Media have lots of problems in rural areas. Television is a good medium to communicate message to the rural people. But due to non-availability of power, as well as television sets, the majority of the rural population cannot get the benefits of various media. Similarly, to get the survival in the competitive market, the marketers have to cope up the various challenges before them like educating the rural consumers about the requirements and uses of the products.

5.1. From Four P's to Four A's From Four P's to Four A's

The traditional four P's of marketing -- product, price, place and promotion, as outlined above -- have been replaced by a different framework for analysis. "A number of companies have worked on various elements of the marketing mix to improve the four A's -- affordability, awareness, availability and acceptability -- for rural markets," he says. "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 6,000 retailers to display and stock products. Dabur has created a training module ASTRA (Advanced sales training for retail ascendance) in several regional languages. A number of auto companies have launched rural-specific campaigns."

5.2. The 4A Approach

The rural market may be alluring but it is not without its problems: Low per capita disposable incomes that is half the urban disposable income; large number of daily wage earners, acute dependence on the vagaries of the monsoon; seasonal consumption linked to harvests and festivals and special occasions; poor roads; power problems; and inaccessibility to conventional advertising media. The more daring MNCs are meeting the consequent challenges of AVAILABILITY, AFFORDABILITY, ACCEPTABILITY, and AWARENESS. (The so-called 4 A's).

5.3. Affordability

The first challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer, most of who are on daily wages. Some companies have addressed the affordability problem by introducing small unit packs. Godrej recently introduced three brands of Cinthol, Fair Glow and Godrej in 50-gm packs, priced at Rs 4-5 meant specifically for Madhya Pradesh, Bihar and Uttar Pradesh - the so-called 'BIMARU' States.

Hindustan Lever, among the first MNCs to realise the potential of India's rural market, has launched a variant of its largest selling soap brand, Lifebuoy at Rs 2 for 50 gm. The move is mainly targeted at the rural market. Coca-Cola has addressed the affordability issue by introducing the returnable 200-ml glass bottle priced at Rs 5. The initiative has paid off: Eighty percent of new drinkers now come from the rural markets. Coca-Cola has also introduced Sunfill, a powdered soft-drink concentrate. The instant and ready-to-mix Sunfill is available in a single-serve sachet of 25 gm priced at Rs 2 and multiserve sachet of 200 gm priced at Rs 15.

5.4. Availability

The second challenge is to ensure availability of the product or service. India's 627,000 villages are spread over 3.2 million sq km; 700 million Indians may live in rural areas, finding them is not easy. Any serious marketer must strive to reach at least 13,113 villages with a population of more than 5,000. Over the years, India's largest MNC, Hindustan Lever, a subsidiary of Unilever, has built a strong distribution system, which helps its brands reach the interiors of the rural market. For making the products available to consumers, companies adopt a variety of means such as direct selling, using company delivery vans, syndicated distribution between

non-competitive marketers, setting up of temporary stalls in rural melas or haths etc. In the rural areas with places far flung and well connected with proper roads, delivering the product to the rural consumers can be a challenge. Companies have realized this and are trying to be creative in this situation. To service remote village, stockiest use auto-rickshaws, bullock-carts and even boats in the backwaters of Kerela. Coca-Cola, which considers rural India as a future growth driver, has evolved a hub and spoke distribution model to reach the villages. LG Electronics defines all cities and towns other than the seven metro cities as rural and semi-urban market. Study on buying behavior of rural consumer indicates that the rural retailers influences 35% of purchase occasions. Therefore, sheer product availability can affect decision of brand choice, volumes and market share. Some of the FMCG giants like HLL took out project streamline to significantly enhance the control on the rural supply chain through a network of rural sub-stockiest, who is based in the villages only. Apart from this, to acquire a further edge in distribution HLL started Project "SHAKTHI" in partnership with Self Help groups of rural women. Making use of stockist and staff for effective direct sales to consumers in rural India have also been found to be successful for companies such as Hindustan Unilever, ITC, Colgate, Godrej etc. Rural markets or mandis are coming up as target centres of direct sales by the companies. The company, BPCL initiated specially designed 'Rural Marketing Vehicle'. Which moved from villages to villages for filling cylinders on the spot. On the other hand, soft drink companies are making use of the traditional wholesale retail model. Product are firstly transported to small towns and later they are transferred to various corners by making use of transport like cycle, auto, hand-cart, camel-cart etc. while Airtel and Samsung have tied up with IFFCO, an Indian farmer's cooperative of fertilizers, to sell their mobile and services, other telecom giants and DTH providers are eyeing PCOs as a channel of distribution. In the absence of a suitable system, some companies have resorted to creating the whole ecosystem from scratch. Such schemes helped the companies in earning quite a few points on the social services front and yet make significant inroads to argue their sales numbers. ITC has formed a supply chain infrastructure called e-choupal system.

5.5. Acceptability

The third challenge is to gain acceptability of the product or service. Therefore, there is a need to offer products that suit the rural market. One company, which has reaped rich dividends by doing so, is LG Electronics. In 1998, it developed a customized TV for the rural market and christened it Sampoorna. Because of the lack of electricity and refrigerators in the rural areas, Coca-Cola provides low-cost ice-boxes - a tin box for new outlets and thermocol box for seasonal outlets. The insurance companies that have tailor-made products for the rural market have performed well. HDFC Standard LIFE topped private insurers by selling policies worth Rs 3.5 crore in total premia. The company tied up with non-governmental organisations and offered reasonably priced policies in the nature of group insurance covers. There is a great need to offer products and services that suit the rural consumers in order to obtain their acceptability. It is not just value for money, but also value add-ons that attract the rural people and help in gaining their acceptability for the products. Therefore, imaginative ideas and dedicated efforts of corporate houses are fast transforming the rural landscape into big consumer markets. New paradigms in banking like SBI Tiny Account with just a paid volunteer equipped with a small box, which enable biometric measurement (fingerprints), and a mobile that enable communication with the zonal office to check on available balance is both creative as well as helpful. Mobile device companies are also tailoring their products to the rural marketers. For instance, Nokia had earlier launched a basic handset with a torch and an alarm clock.

5.6. Awareness

Mass media is able to reach only to 57% of the rural population. Creating awareness then, means utilizing targeted, unconventional media, including ambient media. For generating awareness, events like fairs and festivals, Haats, etc., are used as occasions for brand communication. Cinema vans, shop-fronts, walls and wells are other media vehicles that have been utilized to increase brand and pack visibility. Innovative media used by personal wash like Lux and Lifebuoy and fabric wash items like Rin and Wheel. The idea was to advertise not only at the point of purchase but also at the time of consumption. With large parts of rural India inaccessible to conventional advertising media - only 41 per cent rural households have access to TV - building awareness is another challenge. However, the rural consumer expressions differ from his urban counterpart. Outing for the former is confined to local fairs and festivals and TV viewing is confined to the state-owned channels. Consumption of branded products is treated as a special treat or indulgence. Hindustan Lever relies heavily on its own company-organised media. These are promotional events organised by stockists. Godrej Consumer Products, which is trying to push its soap brands into the interior areas, uses radio to reach the local people in their language. Coca-Cola uses a combination of TV, cinema and radio to reach 53.6 per cent of rural households. Since price is a key issue in the rural areas, Coca-Cola advertising stressed its 'magical' price point of Rs 5 per bottle in all media. LG Electronics uses vans and road shows to reach rural customers. The company uses local language advertising. The key dilemma for MNCs eager to tap the large and fast-growing rural market is whether they can do so without hurting the company's profit margins. In case of nestle, company's product portfolio is essentially designed for urban consumers, which cautions companies from plunging headlong into the rural market as capturing rural consumers can be expensive.

6. Conclusion

The prolonged urban slowdown has driven the companies across different segments to make foray at the burgeoning rural markets to fuel their growth engine. Rural India has so far been insulated from the slowdown and a large untapped market exists there. There is a good potential in the rural market, not only for the consumer durable products, but also for FMCG products. Saturation and also a slowdown in the urban markets, along with low penetration of consumer goods in rural areas is also a big bait for companies to rush towards India's six lakh odd villages. There is a beginning of rural market booms and companies across different sectors have caught

the idea that rural markets cannot be ignored and instead, they be served as a priority. The increasing rate of literacy, increase in longevity, economic development of rural areas and huge development in standard of living of the rural people, all provide marketing opportunities for companies to sell their products and services in rural areas. Further, the growth in rural India and the Government's commitment for the development of rural region will sustain and strengthen the boom in the hinterland. In fact, rural markets have unlocked new fronts for the modern marketers. Companies across are now approaching rural markets with attractive incentive to ensure targeted sales. The income of rural population in India and their purchasing power has augmented in recent years. The companies have to ascertain their needs and desire in order to exploit vast potential of rural markets with suitable marketing strategies. However, the rural markets are broadly scattered and heterogeneous. There is insufficient rural transportation, inefficient communication and inadequate warehousing facilities. Overall backwardness, preference for conventional way of life of the rural people etc. are some such factors, which must be tackled aptly, as these have been hindering the growth of companies in the rural regions. Companies have to find ways to cater to the rural markets by taking into account the '4 As', i.e. affordability, awareness, availability and acceptability.

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