

RURAL MARKETING IN INDIA- SOME ISSUES

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Abstract

Rural marketing is now 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 rural market has been growing steadily over the past few years and is now even bigger than the urban market. About 70 per cent of India's population lives in villages. More than 800 million people live in villages of India. 'Go rural' is the marketer's new slogan. Indian marketers as well as multinationals, such as Colgate-Palmolive, Godrej and Hindustan Lever have focused on rural markets. Thus, looking at the opportunities, which rural markets offer to the marketers, it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage. (i) To examine the Opportunities in Rural Market of India (ii) to analyze the Challenges of Rural Marketing in India.

I. INTRODUCTION

According to the third annual edition of Accenture Research, "Masters of Rural Markets: From Touchpoints to Trust points - Winning over India's Aspiring Rural Consumers," rural consumers are particularly aspiring or striving to purchase branded, high quality products. Consequently, businesses in India are optimistic

about growth of the country's rural consumer markets, which is expected to be faster than urban consumer markets. The report highlights the better networking among rural consumers and their tendency to proactively seek information via multitude sources to be better informed while making purchase decisions. Importantly, the wider reach of media and telecommunication services has provided information to India's rural consumers and is influencing their purchase decisions. In line with general trend, rural consumers are evolving towards a broader notion of value provided by products and services which involves aspects of price combined with utility, aesthetics and features, and not just low prices.

The hinterlands in India consist of about 650,000 villages. These villages are inhabited by about 850 million consumers making up for about 70 per cent of population and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing to increasingly resemble the consumption patterns of urban areas. Some of India's largest consumer companies serve one-third of their consumers from rural India. Owing to a favorable changing consumption trend as well as the potential size of the market, rural India provides

a large and attractive investment opportunity for private companies.

Review of Literature

The immense potential of the rural customers can be realized if the managers understand this market. The vast untapped needs of the rural consumers, the developing rural economy and the increased penetration of media and brand awareness makes this market extremely attractive to marketers (Goswami, 2009)

If we look at the projected annual size of the rural market it would tell us the true potential of this untouched market. The growth statistics exhibit large potentials for FMCG and Consumer Durables for the Indian Rural markets (Paninchukunnath, 2010)

Rural Marketing is defined as a function that manages all activities involved in assessing, stimulating and converting the purchasing power of rural consumers into an effective demand for specific products & services and moving these products & services to the people in rural areas to create satisfaction and a better standard of living and thereby achieving organizational goals” (Iyer, 2010)

(Kalotra,2013) Rural customers are increasingly becoming brand conscious as well as price and discounts. There a high potential in rural India but exists major differences between the existing and the desirable levels of rural marketing, has to be improve

(Gomathi,2013) rural marketing process is playing vital role in marketing the products and services of the companies by using customers as the major marketing sources without implementing marketing plans and techniques. Finally, rural marketing process can be used as an alternate for traditional marketing process in order to create brand awareness among customers and improve the sales of company products

(Kumar, Dangi,2013) rural India offers huge opportunities which companies can tap for their growth and development. However, Companies face many challenges in tackling the rural markets. 833 million people reside in India as compared to 377 millions in urban India so vast untapped opportunities are available in rural India.

Methodology

The study is mainly based on the analysis of secondary data collected through field visits to NGOs, government institution report, Magazine’s, Articles, Reports, Books, etc.

II. OBJECTIVES

The following are the important objectives of the present study of Rural Market in India:

1. To examine the Opportunities in Rural Market of India
2. To analyze the Challenges of Rural Marketing in India.

Opportunities in Rural market of India There is not a size of the population that makes rural markets in South Asia very important for marketers. Rural markets offer immense potential for market expansion and growth. For example, in India, the consumption in these rural markets was growing at an annual compounded growth rate of around 4% for the last 20 years; but this is estimated to grow by over 5% in the next two decades and this is expected to treble by 2025

Latest data from the NSSO’s 66th round of survey on household consumption expenditure has also revealed that the difference between a spending patterns of the urban and rural poor have narrowed down over the last two years with average spending by a rural household in 2009-10 at Rs 1,053.64 and urban households at Rs 1,984.46. Crisil, in its report, has pointed to a marked shift in spending on discretionary goods by rural households as against only necessities. The report states that more than half of India’s stock of

consumer durables and two-wheelers are now in rural India. "Rural consumption has outstripped urban consumption as a result of the government's strategy of inclusive growth, through programmers' like MGNREGA. The rise in prices of agricultural commodities as well as loan waiver scheme and stimulus packages benefited rural households," said NR Bhanumurthy, professor at National Institute of Public Finance and Policy, adding that the economic slowdown impacted urban incomes more than rural income. In addition to the consumption trends, the market potential of the rural market is considered to be the driver of the future growth by a number of companies. The market size for the fast-moving consumer goods (FMCG) in the rural markets in India is estimated to be Rs. 6,500 billion; consumer durables at Rs. 500 billion, agricultural inputs (including tractors) at Rs. 4500 billion, and automobiles (two-wheelers and four-wheelers) at Rs. 800 billion, totaling to Rs 12,300 billion.

The rural market for FMCG products expanded by about 30% between 1992-1993 and 1998-1999, and accounted for about 53% of this product category's total consumption in India. The rural market accounted for a similar proportion for consumer durable products too. Market indicators such as size and growth rate for many products and product categories are too attractive for any company to ignore. Another indicator of the future potential can be gauged from the fact that 48% of the rural population is below 20 years of age. The price-sensitivity of a consumer in a village is something the marketers should be aware of rural income levels are largely determined by the vagaries of monsoon and, hence, the demand there is not an easy horse to ride on. A Tiger Biscuits launched by Britannia Industries especially for the rural market.

It clearly paid dividend. Its share of the glucose biscuit market has increased from 7 per cent to 15 per cent within a very short period. One very fine example can be quoted of escorts where they focused on deeper penetration. They did not rely on TV or press advertisements, but rather concentrated on focused approach depending on geographical and market parameters like fares, meals, etc. Looking at the 'kuchha' roads of village, they positioned their bike as tough vehicle. Their advertisements showed Dharmendra riding Escort with the punch line 'JandarSawari, ShandarSawari'. Thus, they achieved whopping sales of 95000 vehicles annually. ITC is setting up e-Choupals, which offers the farmers all the information, products and services they need to enhance farm productivity, improve farm-gate price realization and cut transaction costs. Farmers can access latest local and global information on weather, scientific farming practices as well as market prices at the village itself through this web portal - all in Hindi. It also facilitates supply of high quality farm inputs as well as purchase of commodities at their doorstep.

The heat of competition in the urban market actually serves as the strong driver behind the growing interest of Corporate in the rural market. The fact that the rural market is still largely an untapped and virgin market and the fact that the early entrants can tap it without having to face intense competition as in the case of urban market, makes the rural market all the more attractive to them. For example, penetration level for toothpaste in the urban market has now reached close to 80 per cent. In contrast, it is below 30 percent in the rural market. Obviously, any substantial further growth in the product can come only from the rural market. In the FMCG category, half of the revenue of Hindustan Lever and Colgate comes from the rural market. It can also be seen that about one-fifth

of Parma sales occur in rural India. In respect of high-priced durables, about one fourth of the television sales happen in rural India; Kinetic sells about 30 per cent of its scooters, Toyota nearly half of its vehicles and Hero Honda 40 per cent of its bikes. Shakti is HLL's rural initiative. It seeks to empower underprivileged women of villages with populations of 2000 or less by providing income-generating opportunities, health and hygiene education through the Shakti-Vani program, and creating access to relevant information through the i-Shakti community portal. Shakti is a pioneering effort from the private sector in creating livelihoods for rural women. Started in 2001, Shakti has already been extended to about 50,000 villages in 12 states – Andhra Pradesh, Karnataka, Gujarat, Madhya Pradesh, Tamil Nadu, Chhattisgarh, Uttar Pradesh, Orissa, Punjab, Rajasthan, Maharashtra and West Bengal (respective state governments and several NGOs are also actively involved in the initiative). For HLL, it is "enlightened self-interest"—creating opportunities to increase the rural family income; putting more money in their (rural people) hands to purchase the range of daily consumption products—from soaps to toothpastes—that HLL makes. It also enables HLL to access hitherto unexplored rural hinterlands. (Kamath, 2003).

Contrary to the popular belief, the R-panel found that the rural demand is not overwhelmingly unbranded. In categories such as shaving products, toothpastes, toilet soaps, biscuits, the share of branded products is higher than the unbranded local products.

According to ORG-MARG data 90 per cent of all shampoo and about 65 per cent packaged tea sales in rural areas comes sachets/small packs. There has been a phenomenal improvement in rural incomes and rural spending power. Successive good monsoon has led to dramatic boost in crop

yields. Tax exemption on rural income too has been responsible for this enhanced rural purchasing power.

Rural consumers normally do not make brand discrimination but once induced to buy and use a product, he becomes loyal to the brand provided he is satisfied about its functional utility, such a loyal user may even make efforts to get the whole village use it.

A survey by NCAER shows that the rural market is growing faster than the urban market in several products. These include packaged tea, detergent powder, washing soap and detergent cake. Growth in motor cycles too has been more in rural market than the urban market.

Challenges of Rural Marketing in India

Although rural markets offer immense potential, marketers need to recognize the fact that there are considerable differences in many respects, including the nature, characteristics buying patterns, and behavior of rural consumers, when they compared with their urban counterparts. While the urban economy thrives mainly on secondary and tertiary activities such as manufacturing and services, the rural economy is driven mainly by primary activities such as agriculture, fishing, and forestry. The consumer demand and consumption patterns also differ across rural and urban areas. India, for example, electricity reaches only 57.6% of the rural population and, therefore, the market for household and other electrical equipment such as televisions and fans is also restricted.

Similarly, there are also differences in rural literacy and education levels; in India the rural and urban literacy levels are 58.7% and 79.9% respectively. Pattern of income levels in rural markets is yet another differentiating factor that affects the buying power and consumption behavior of rural consumers. About 80% of the

rural households in India, for instance, have a monthly income of less than Rs. 3000. In addition, the dispersed nature of the population, the inadequacy of physical infrastructure like roads, the weak banking system, limited availability of credit facilities, and problems of storage infrastructure are additional challenges for marketers. These challenges need innovative solutions.

III. CONCLUSION

In this survey is expected that by the year 2015, about 70% of the villages in India would be accessible by road. The Tele-density in these rural areas in India has increased by 174% from 2001 to 2006, and all villages with a population of over 500 people have telephones with subscriber trunk dialing (STD) facility. In addition, investments by the governments in improving farm productivity and generating greater employment opportunities in rural areas have made the rural markets in South Asia more vibrant and prosperous. This has far-reaching implications for marketers. On the one hand, in rural areas the demand for production and consumption of goods such as farm equipment and machinery, seeds, fertilizers, pesticides, banking services, and products for personal and family use has increased substantially.

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