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## **THE EFFECTIVE REVIEW ON RURAL MARKETING IN INDIA**

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### **ABSTRACT**

According to the third annual edition of Accenture Research, Masters of Rural Markets: From Touchpoints to Trustpoints - Winning over Indias 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 countrys 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 Indias 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.

## **PREAMBLE**

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 countrys Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing to increasingly resemble the consumption patterns of urban areas. Some of Indias largest consumer companies serve one-third of their consumers from rural India. Owing to a favourable changing consumption trend as well as the potential size of the market, rural India provides a large and attractive investment opportunity for private companies.

### **Market size**

Indias per capita GDP in rural regions has grown at a Compound Annual Growth Rate (CAGR) of 6.2 per cent since 2000. The Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is expected to cross US\$ 20 billion mark by 2018 and reach US\$ 100 billion by 2025@.

### **Investments**

Following are some of the major investments and developments in the Indian rural sector.

The United Economic Forum (UEF), an organisation that works to improve socio-economic status of the minority community in India, has signed a Memorandum of Understanding (MoU) with Indian Overseas Bank (IOB) for financing entrepreneurs from backward communities to set up businesses in Tamil Nadu. As part of the agreement, entrepreneurs who have been chosen by the UEF, will get term loan / working capital requirements from the bank. The UEF will appoint mentors to guide entrepreneurs for successful implementation of the project, with both IOB & UEF periodically monitoring the progress of the project.

Tata Motors, Indias biggest automobile company by revenues, plans to aggressively expand its network with a focus on rural markets. The company is aiming to more than triple its network to 1,500 over the next three years from 460 now, making it the biggest such expansion by a passenger vehicle maker in the country so far.

Bharti Airtel is applying for a payments bank licence and has involved Kotak Mahindra Bank as a potential investor in the venture, in a bid to tap significant revenue opportunities from the Reserve Bank of Indias financial inclusion initiative. Payments banks are meant to fan out into the rural, remote areas of the country, offering limited but critical services such as money transfers, loans and deposit collection. While banks have the knowhow, telecom companies have the network, making it an ideal match.

### **Government Initiatives**

The Government of India has planned various initiatives to provide and improve the infrastructure in rural areas which can have a multiplier effect in increasing movements of goods, services and thereby improve earnings potential of rural areas subsequently improving consumption.

E-commerce players like Flipkart, Snapdeal, Infibeam and mobile wallet major Paytm have signed Memoranda of Understanding (MoUs) with the government to reach rural areas by connecting with the governments common service centres (CSCs) being setup in villages as part of the Digital India initiative.

With the increasing demand for skilled labour, the Indian government plans to train 500 million people by 2022, and is looking out for corporate players and entrepreneurs to help in this venture. Corporate, government, and educational organisations are joining in the effort to train, educate and produce skilled workers.

The Union Cabinet has cleared the Pradhan Mantri Krishi Sinchae Yojana (PMKSY), with a proposed outlay of Rs 50,000 crore (US\$ 7.5 billion) spread over a period of five years starting from 2015-16. The scheme aims to provide irrigation to every village in India by converging various ongoing irrigation schemes into a single focused irrigation programme. The Government of India aims to spend Rs 75,600 crore (US\$ 11.34 billion) to supply electricity through separate feeders for agricultural and domestic consumption in rural areas. This initiative is aimed at improving the efficiency of electricity distribution and thereby providing uninterrupted power supply to rural regions of India.

To promote agriculture-based businesses, the Government of India has started A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship (ASPIRE). Under this scheme, a network of technology centres and incubation centres would be set up to accelerate entrepreneurship and to promote start-ups for innovation and entrepreneurship in agro-industry.

The Government of India seeks to promote innovation and technology development in the remote rural and tribal areas. The government plans to form a committee to study various innovations and submit their reports to the concerned Department or Ministry. The

programme called the Nav Kalpana Kosh aims to improve rural areas at various levels, such as governance, agriculture and hygiene.

Banks are working to set up rural ATMs, which will dispense smaller denomination currency notes. We have encouraged banks to find a solution for bringing in rural ATMs... banks will have to find an appropriate technology solution for a different type of ATM to care for the needs of the rural people, as per Mr R Gandhi, Deputy Governor, Reserve Bank of India (RBI). Confederation of Indian Industry (CII), an association of Indian businesses, plans to set up a centre of excellence for start-ups in smaller towns across the country to help create a conducive environment for their incubation and growth.

### **Road Ahead**

As is the trend with urban India, consumers in the rural regions are also expected to embrace online purchases over time and drive consumption digitally. The rural regions are already well covered by basic telecommunication services and are now witnessing increasing penetration of computers and smartphones. Taking advantage of these developments, online portals are being viewed as key channels for companies trying to enter and establish themselves in the rural market. The Internet has become a cost-effective means for a company looking to overcome geographical barriers and broaden its reach.

Market research firm Nielsen expects India's rural FMCG market to reach a size of US\$ 100 billion by 2025. Another report by McKinsey Global Institute forecasts the annual real income per household in rural India to rise to 3.6 per cent 2025, from 2.8 per cent in the last 20 years.

### **Rural Marketing in India: Definition and Features of Rural Marketing!**

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 Indias population lives in villages. More than 800 million people live in villages of India. Go rural is the marketers 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.

Since ancient times, Indian villages had the concept of village markets popularly known as the village haats. The haats are basically a gathering of the local buyers and sellers. The barter system was quite prevalent, which still continues in a number of places even today. Haats are basically a weekly event, and are central to the village economy.

**Definitions:**

**Marketing:**

Identifying the needs of customers and potential customers, providing products/services that satisfy their needs, and developing efficient processes or systems to deliver your product/service to the market when, where, and how consumers want it.

**Rural Marketing:**

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 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.

**Features of Rural Marketing:**

The main reason why the companies are focusing on rural market and developing effective strategies is to tap the market potential, that can be identified as follows:

**Large and scattered population:**

According to the 2001 census, 740 million Indians forming 70 per cent of India's population live in rural areas. 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.

**Higher purchasing capacity:**

Purchasing power of the rural people is on rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. 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.

**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 durables such as refrigerators, TV and washing machines has also grown over the years.

**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.

**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.

**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.

**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: Challenges, Opportunities & Strategies**

In recent years, rural markets have acquired significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities.

On account of green revolution, 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 emerged. But often, rural marketing is confused with agricultural marketing - the latter denotes marketing of produce of the rural areas to the urban consumers or industrial consumers, whereas rural marketing involves delivering manufactured or processed inputs or services to rural producers or consumers.

Rural market has following attributes and the following facts substantiate this: -

742 million people

Estimated annual size of the rural market -

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FMCG	Rs. 65,000 Crore
Durables	Rs. 5,000 Crore
Agri-Inputs (including tractors)	Rs. 45,000 Crore
2 / 4 Wheelers	Rs. 8,000 Crore

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In 2001-02, LIC sold 55% of its policies in rural India.

Of two million BSNL mobile connections, 50% are in small towns / villages.

Of the 6.0 lakh villages, 5.22 lakh have a Village Public Telephone (VPT).

41 million Kisan Credit Cards have been issued (against 22 million credit-plus-debit cards in urban), with cumulative credit of Rs. 977 billion resulting in tremendous liquidity.

Of the 20 million Rediffmail sign-ups, 60% are from small towns. 50% of transactions from these towns are on Rediff online shopping site.

42 million rural households (HHs) are availing banking services in comparison to 27 million urban HHs.

Investment in formal savings instruments is 6.6 million HHs in rural and 6.7 million HHs in urban.

### Opportunities

1. Infrastructure is improving rapidly -

In 50 years only, 40% villages have been connected by road, in next 10 years another 30% would be connected.

More than 90% villages are electrified, though only 44% rural homes have electric connections.

Rural telephone density has gone up by 300% in the last 10 years; every 1000+ pop is connected by STD.

Social indicators have improved a lot between 1981 and 2001 -

Number of pucca houses doubled from 22% to 41% and kuccha houses halved (41% to 23%).

Percentage of BPL families declined from 46% to 27%.

Rural literacy level improved from 36% to 59%.

Low penetration rates in rural areas, so there are many marketing opportunities -

Durables	Urban	Rural	Total (% of Rural HH)
CTV	30.4	4.8	12.1
Refrigerator	33.5	3.5	12.0

FMCGs	Urban	Rural	Total (% of Rural HH)
Shampoo	66.3	35.2	44.2

Toothpaste	82.2	44.9	55.6
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Marketers can make effective use of the large available infrastructure -

Post Offices	1,38,000
Haats (periodic markets)	42,000
Melas (exhibitions)	25,000
Mandis (agri markets)	7,000
Public Distribution Shops	3,80,000
Bank Branches	32,000

Proliferation of large format Rural Retail Stores, which have been successful also -

- DSCL Haryali Stores
- M & M Shubh Labh Stores
- TATA / Rallis Kisan Kendras
- Escorts Rural Stores
- Warnabazaar, Maharashtra (Annual Sale Rs. 40 crore)

In rural India, brands rarely fight with each other; they just have to be present at the right place.

Many brands are building strong rural base without much advertising support.

Chik shampoo, second largest shampoo brand.

Ghadi detergent, third largest brand.

- Fewer brand choices in rural areas; number of FMCG brand in rural is half that of urban.
- Buy value for money, not cheap products.

Some Myths

**Myth 1: Rural Market is a Homogeneous Mass**

Reality: Its a heterogeneous population. Various Tiers are present depending on the incomes like Big Landlords; Traders; Small Farmers; Marginal Farmers: Labourers; Artisans. State wise variations in rural demographics are present viz. literacy (Kerala 90%, Bihar 44%) and population below poverty line (Orissa 48%, Punjab 6%).

**Myth 2: Disposable Income is Low**

Reality: Number of middle class HHs (annual income Rs. 45,000 - 2,15,000) for rural sector is 27.4 million as compared to the figure of 29.5 million for urban sector. Rural incomes CAGR was 10.95% compared to 10.74% in urban between 1970-71 and 1993-94.

**Myth 3: Individuals Decide About Purchases**

Reality: Decision making process is collective. Purchase process - influencer, decider, buyer, one who pays - can all be different. So marketers must address brand message at several levels. Rural youth brings brand knowledge to Households (HH).

Rural markets, as part of any economy, have untapped potential. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India is still in evolving shape, and the sector poses a variety of challenges. Distribution costs and non-availability of retail outlets are major problems faced by the marketers. The success of a brand in the Indian rural market is as unpredictable as rain. Many brands, which should have been successful, have failed miserably. This is because most firms try to extend marketing plans that they use in urban areas to the rural markets. The unique consumption patterns, tastes, and needs of the rural consumers should be analyzed at the product planning stage so that they match the needs of the rural people.

Therefore, marketers need to understand the social dynamics and attitude variations within each village though nationally it follows a consistent pattern. The main problems in rural marketing are: -

Understanding the Rural Consumer

Poor Infrastructure

Physical Distribution

Channel Management

Promotion and Marketing Communication

Dynamics of rural markets differ from other market types, and similarly, rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer.

Strategies to be Followed

### **Marketing Strategy**

Marketers need to understand the psyche of the rural consumers and then act accordingly. Rural marketing involves more intensive personal selling efforts compared to urban marketing. Firms should refrain from designing goods for the urban markets and subsequently pushing them in the rural areas. To effectively tap the rural market, a brand must associate it with the same things the rural folks do. This can be done by utilizing the various rural folk media to reach them in their own language and in large numbers so that the brand can be associated with the myriad rituals, celebrations, festivals, melas, and other activities where they assemble.

### **Distribution Strategy**

One of the ways could be using company delivery van which can serve two purposes - it can take the products to the customers in every nook and corner of the market, and it also enables the firm to establish direct contact with them, and thereby facilitate sales promotion.

However, only the bigwigs can adopt this channel. The companies with relatively fewer resources can go in for syndicated distribution where a tie-up between non-competitive marketers can be established to facilitate distribution. Annual melas organized are quite popular and provide a very good platform for distribution because people visit them to make several purchases.

According to the Indian Market Research Bureau, around 8000 such melas are held in rural India every year. Rural markets have the practice of fixing specific days in a week as Market Days (often called Haats) when exchange of goods and services are carried out. This is another potential low cost distribution channel available to the marketers. Also, every region consisting of several villages is generally served by one satellite town (termed as Mandis or Agri-markets) where people prefer to go to buy their durable commodities. If marketing managers use these feeder towns, they will easily be able to cover a large section of the rural population.

### **Promotional Strategy**

Firms must be very careful in choosing the vehicle to be used for communication. Only 16% of the rural population has access to a vernacular newspaper. So, the audio visuals must be planned to convey a right message to the rural folk. The rich, traditional media forms like folk dances, puppet shows, etc., with which the rural consumers are familiar and comfortable, can be used for high impact product campaigns.

### **Some Live Examples**

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, melas, 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 "Jandar Sawari", Shandar Sawari. Thus, they achieved whopping sales of 95000 vehicles annually.

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