

Rural Marketing in India: Challenges And Opportunities

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ABSTRACT

In the recent years rural market have acquired significance and attract the attention of marketers as 68.84% population of India reside in 6, 38,000 villages and overall growth of economy has resulted into substantial increase in the purchasing power of the rural communities. Due to green revolution, the rural areas are consuming a large quantity of industrial and manufactured products. In this way rural market offers opportunities in the form of large untapped market, increase in disposable income, increase in literacy level and large scope for penetration. To take the advantage of these opportunities, a special marketing strategy 'Rural Marketing' has emerged. This paper tries to understand the rural market, importance of rural marketing and status of rural market. The main aim of the study to observe the potentiality of Indian rural markets and find out various problems are being faced by rural marketer.

Keywords: Rural Market, FMCG, Disposable Income, Rural Consumers.

INTRODUCTION

Since the 1980's the mass rural market was used to attract the marketers in Indian consumer market. The fact that 70% of country's population was unaddressed, which was the major attraction for marketers. In recent time this attraction has increased with the additional money that comes into hands of rural consumers due to green revolution, rise in Agri-produce prices and MNREGA spending. Budget 2013 further strengthens the rural story with MNREGA because there has been a substantial increase in their spending. These initiatives shift the rural consumers towards Brands. Rural market constitute an important segment of overall economy. Government agencies like IRDA (Insurance Regulatory and Development Authority) and NCAER (National Council for Applied Economics Research) define rural as a village with a population less. Rural marketing is promotion of a company's product in the rural market by using strategies which differ from the urban market. The rural market is more prices sensitive but it has preference to quality. Rural marketing is confused with agriculture marketing. The later denotes marketing of produce of rural areas to the urban consumers or industrial consumers while rural marketing involves delivering manufactured or processed input or services to rural consumers.

RURAL MARKETING IN INDIA

The concept of rural marketing in Indian economy has always played an influential role in the lives of people. In India, leaving out a few metropolitan cities, all the districts and industrial townships are connected with rural markets.

The rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioral factors operating in the country. The rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population. The rural markets in India bring in bigger revenues in the country, as the rural regions comprise of the maximum consumers in this country. The rural market in Indian economy generates almost more than half of the country's income. Rural marketing in Indian economy can be classified under two broad categories. These are (a) the markets for consumer goods that comprise of both durable and non-durable goods, and (b) the markets for agricultural inputs that include fertilizers, pesticides, seeds, and so on. The concept of rural marketing in India is often been found to form ambiguity in the minds of people who think rural marketing is all about agricultural marketing. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas.

RURAL MARKET STATUS

The market scenario in the rural areas today is changing very rapidly. Rural consumers demand branded products mainly because of increase in disposable income and literacy level. Rural families do not like to cut their expenditure on weddings, pilgrimages, constructions and consumptions. Rural consumers have more aspirations, today this segment of buyers consumes large variety of products, both durable and non-durables and willing to pay right price for right products. PardeepKashyap, CEO, MART, says "The rural India has cash in hand and is not bound by EMIs or loans, with the majority of our population

based in tier III, tier IV cities and villages. It is right time to penetrate into rural market.”

Rural share in stock of Consumer Goods

Table: 1 Rural share in stock of consumer goods

Stock	1995-96 (in'000)	Share in percent	in 2001-02 (in'000)	Share in percent
Cars/Jeeps	197	7.4	389	6.9
Motorcycle	2210	45.8	6710	50.4
Scooters	2496	25.2	4416	29.8
Mopeds	2096	37.3	3930	42.2
Automotive	6999	30.5	15445	35.9
Television	21411	40.7	40605	47.6
All Fans	37990	42.4	74673	49.3
Other White goods	3337	13.5	7766	16.7
Low cost items	226952	57.9	313892	58.7

The table shows that the rural share in stock of consumer demands. The rural share in demand for car/jeeps has increased from 2.1% in 1995-96 to 8.0% in 2001-02 and 10.9% in 2009-10 and for motorcycle it has increased from 47.3% in 1995-96 to 48.3% in 2009-10. Similarly, the demand of fans, scooters, moped and low cost items has also increased. Share of FMCG have remained same at 37.9%

WHAT MAKES RURAL MARKETING ATTRACTIVE?

Rural market has following attributes and facts:

- About 833 million people reside in rural area as compared to 377 million people in urban area.
- 53% of all FMCGs and 59% of all consumer durables are sold in the rural market.
- Estimated annual size of rural market:-

- FMCG Rs. 65,000 crores
- Durables Rs. 5,000 crores
- Agri-inputs and Tractors Rs. 45,000 crores
- 2/4 wheelers Rs. 8,000 crores.

• 42 million rural households availing banking services in comparison to urban households.

Indian rural market is almost twice as compared to the entire market of USA and Russia.

- 46% of soft drinks sales come from rural areas.
- 49% of motorcycles sales come from rural areas.
- Rural India accounts for 59% of cigarettes sales.
- In 20 years, rural Indian market will be larger than the total consumer markets in countries such as South Korea and Canada and almost 4 times of the size of today’s urban market.
- Close to 10% of MarutiSuzuki’s sale come from rural market.

The above table shows that the rural share in stock of consumer goods like car/jeeps, motorcycle, scooters, moped, automotive, television, fans, other white goods and low cost items. The rural share in automotive has increased from 30.5% in 1995-96 to 35.9% in 2001-02 and 42.5% in 2009-10, cars/ jeeps from 7.4% in 1995-96 to 9.3 in 2009-10, motorcycle from 45.8% (1995-96) to 50.4 (2001-02) and 55.4 (2009-10), scooters from 25.2% (1995-96) to 29.8% (2001-02) and 32.0 (2009-10), moped from 37.3% (1995-96) to 46.6 (2009-10). Similarly, in television it has registered an increase from 40.7% (1995-96) to 44.9% (2009-10). Thus it is clear from the table that the percentage of rural share in the stock of consumer goods has been raising since 1995-96 to 2009-10.

Rural share in stock of consumer demands

Table: 2 Rural share in stock of consumer demands

Demand	1995-96 (in '000)	Share in percent	2001-02 (in '000)	Share in percent	2009-10 (in '000)	Share in percent
Cars/Jeeps	6	2.1	63	8.0	376	10.9
Motorcycle	359	47.3	1036	39.8	4045	48.3
Scooters	368	33.1	355	39.4	311	39.9
Mopeds	286	52.7	235	58.2	141	57.7
Automotive	1016	37.9	1689	36.0	4873	37.9
Television	4852	54.0	6400	54.5	7712	44.2
All Fans	7050	50.0	14627	56.9	32561	56.7
Other White goods	819	23.8	1439	23.9	3120	23.7
Low cost items	29228	58.1	45139	60.1	88607	61.3

IMPORTANCE OF RURAL MARKETING

Rural market is getting importance because of the saturation of urban market. So the marketers are looking for extending their product categories to an unexplored market i.e. the rural market. According to the Nielson’s survey the rural market for FMCG (Rs. 65,000 crores), durables (Rs. 5,000 crores) and clothing and footwear (Rs. 35,000 crores) was as large as Rs. 1, 05,000 crores in 2008. Certainly the size is much bigger now. According to Nielson by 2025, the rural FMCG sale is estimated to be \$ 100 billion from the current \$ 12 billion. This has also led to the CSR activities being done by the corporate to help the poor people attain some wealth to spend on their product categories. Here, we can think of HLL initiatives in the rural India. One of such product is project Shakti, which is not only helping their company attain some revenue but also helping the poor women of the village to attain some wealth which is surely going to increase their purchasing power.

Rural market is mystery for the companies. Due to lack of dipper insights into the psyche of the rural consumers, companies are hesitant to explore this territory. But local

brand like “Ghadi” detergent in Kanpur have been able successfully tap the opportunities presented by rural market.

Rural India offers sustainable sales and profit for growth. Growth of rural market is possible due to green revolution and white revolution, which results into substantial wealth generation in rural area. In recent years, rural markets have acquired significance in the country like China and India as the overall growth of the economy has resulted into substantial increase purchasing power of rural communities. Due to green revolution in India, consumption pattern of rural people are changed.

OPPORTUNITIES

The rural market has been growing gradually over the past few years and is now even bigger than the urban market. The saving to income percentage in rural area is 30% higher than urban area. At present 53% of all FMCGs and 59% of consumers durables are being sold in rural area. Major opportunities available in rural market are as follow:

Increase In Literacy Rate

Literacy rate is increasing in rural areas. According to census 2011 it stoo There are more graduates in rural than in urban India. This brings social and cultural changes in buying behavior of the rural customers and more aware about national and international brand. Due to increase in literacy rate they get jobs in nearby towns. They earn urban salaries but continue to live in self owned homes in the villages, they have high purchasing power and prefer to buy branded product

Increasing In Disposable Income And Purchasing Power

Projects from private companies and the rural employment initiatives by the Government like MNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) schemes have given the rural population an opportunity to meet their daily needs. Government decided to expand the agriculture loan at lower rate of interest and distribute million of Kisan Credit Cards, has given a boost to the income level to the rural sector. According to advanced estimates of national income released by center statistic organization “The Per Capita income at current prices during 2011-12 is estimated to be Rs. 60,972 compared to Rs. 53,332 during 2010-11 showing a rise of 14.3%. Companies have the opportunity to enter in this new market and take the advantage of increased disposable income.

Infrastructure Improving Rapidly

In 50 years only, 40% villages have been connected by roads, in next 10 years another 30% would be connected. Rural telephone density has gone up by 300% in the last 10 years. Government of India is planning its most ambitious national program in Jan.2013 to facilitate electricity through decentralized renewable energy sources. The government aims to provide LED lights to around 400million homes that do not have an electricity connection by 2017. Rapid development of rural infrastructure is also major attraction for marketers.

Increase Population and Hence Increase In Demand

The rural market in India is vast and scattered and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers. More than eighty percent of rural markets in India still do not have access to any sort of organized marketing and distribution.

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, world wide 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 to be reached at 45million by Dec. 2012, according to the recent IMRB survey, conducted jointly with internet and Mobile Association of India (IMAI). The number of claimed internet users has witnessed a compounded annual growth rate of 73% since Dec. 2010. As the electronic ethos and IT culture moves into rural India, the possibility of change are becoming visible.

Reduction Of Risk During Recession

. It has been observed that companies which cater both urban and rural markets tackle the recession in the better way. The demands for goods in the urban market often follow a cyclic whereas in the rural market it is steady. So companies can safeguard themselves from the harmful effects of recession after entering in the rural market

CHALLENGES

The peculiarities of rural markets and rural consumers pose challenges to marketers in reaching them effectively. There are a large number of small villages which are not easily accessible because of all weather roads. The main challenges of rural marketing are discussed below:

Transportation Problems

Transportation is essential for movement of products from urban production centers to remote villages. In rural India transportation facilities are quite poor. Nearly 80 percentages of villages in the country are not connected bywell constructed roads. Many parts of India have kuccha roads. Due to poor transportation facilities it is not possible for a marketer to access the rural market.

Warehousing Problems

A storage function is necessary because there is a time gap between production and consumption of commodities. Agricultural commodities are produced seasonally but they are demanded over the year so there is need to store them. But in rural areas, there is lack of public as well as private

warehousing. Marketers face problems of storage of their goods.

Underdeveloped People And Underdeveloped Markets

Rural society in India is underdeveloped. Modern technology has tried to develop the people and markets in rural areas. But the technology has made very less impact in rural areas.

Inadequate Media Coverage

Media have lots of problem in rural areas. Television is a good source to communicate the message to rural people. But due to non availability of power as well as television sets, majority of rural population cannot get the benefits of various media.

Many Languages

India is a country of many languages. Language becomes barrier in effective communication in the market efforts. The number of languages vary from state to state, region to region and district to district, etc.

Low Level Of Literacy

The literacy rate is low in rural areas as compared to urban areas. Marketers face communication problem due to the lack of literacy rate. Print medium is not much effective and it is irrelevant since its reach is poor. So, low level of literacy becomes challenge for marketers in rural areas.

Seasonal Demand

Seasonal demand is main problem of rural market. Agriculture situation plays a significant role in the demand of commodities in the rural market because it is the main source of income. Again agriculture depends on monsoon so buying capacity of rural consumers varies. Despite this, many rural areas are not connected by rail transport. Kuccha roads become unserviceable during monsoon.

CONCLUSION

The study concluded that 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, but marketer unable to tap these opportunities because of lack of infrastructure facilities. Literacy rate is low in rural area so people are unable to identify brand difference. Now trend has gone to change literacy rate in rural area is increasing. Number of middle and higher income household in rural India is expected to grow from 80 million to 111 million. There is rapid development in infrastructure all these opportunities attract companies to target rural market. With some technologies breakthrough in distribution and marketing of products in rural India, companies in rural market can earn more profits, market share, etc. The Rural

market is a greater future prospect for the marketers and there are many opportunities available for them in rural markets.