Rural Marketing – A Radical Perspective

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Abstract

Mahatma Gandhi once said that “India lives in its villages” — a maxim that is true even after 66 years of India’s independence, and has defined political, social and economic decisions for decades. Rural markets constitute a vast proportion of overall consumer market of Indian economy. Rural marketing in India dates back even before Indus Valley Civilization which flourished between 3300 BC and 1300 BC which boasted of an advanced and thriving economic system. The introduction of transport, information & technology and communication facilities has increased the scope and accessibility to rural market which was the major impasse in its development. The Indian rural market with its vast size and demand base offers great opportunities to companies. Two-third of Indian consumers live in rural areas and almost half of the national income is generated here. For example, the Indian rural retail opportunity was estimated to be in excess of approximately US$ 34 billion in 2007. This figure is likely to touch approximately US$ 43 billion in 2010 and go up to approximately US$ 58 billion by 2015, according to Confederation of Indian Industry (CII) – YES bank study on the Indian rural retail sector. The rural revolution is driven by rising purchasing power, changing consumption patterns, increased access to information and communication technology, improving infrastructure and increased government initiatives to boost the rural economy. These developments can be attributed to various factors. To begin with, the Minimum Support Prices of various agricultural products have increased steadily over the past two decades. One of the major problems with rural demand was of rainfall-dependence and unpredictability of agricultural production. However, with liberalization and urban development, rural India has benefited a lot
from temporary migration. Many rural households got rid of “hidden unemployment” who found temporary employment in various urban development projects. At the same time, the government also increased its spending in the rural sector through programmes like Bharat Nirman and MGNREGS. All these factors clubbed to provide rural households a diverse portfolio of income. This diversity meant that the demand patterns became more stable, thus easing the task of marketers. Here in the paper we will discuss the present scenario of rural marketing especially rural products, current trends and highlights certain problems related to rural marketing. The main objective of study is to analyze marketing of consumer products and present the strategic framework for marketing consumer products in rural areas. Marketing of agricultural production has received adequate attention of researchers, policy makers and central and state governments. This has resulted in the establishment of regulated markets with an aim to see that the agricultural produce get better price. Rural markets have untapped potential. In recent years, rural marketing have acquired significance as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities.

Keynotes: Rural Markets, consumer products, Rural Marketing.

1. Introduction

Rural market has changed drastically in the past one decade. A decade ago it was more unstructured and was not a prioritized target location for corporate. Very few companies mainly agro-based ones were concentrating in these markets. There were no innovative strategies and promotional campaigns.

Gradually, corporate realized that there was saturation, stiff competition and clutter in the urban market, and a demand was building up in rural areas. Seeing the vast potential of 75% Indians living in the rural areas, the companies started focusing on these unexplored high potential areas. Companies came up with special rural products like Chic Shampoo sachets @ Re 1, Parle G Tikki Packs @ Rs. 2, Shanti Amla Oil by Marico and many others. All these brought positive results for them.

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.

Gone are the days when a rural consumer went to a nearby city to buy branded products and services. Trends indicate that the rural markets are coming up in a big
way and growing twice as fast as the urban, witnessing rise in sales of typical kitchen
gadgets such as refrigerators, mixer grinders and pressure cookers.

According to National Council For Applied Economic Research (NCAER) study,
there are many “middle income and above” households in the rural areas as there are in
urban areas. There are almost twice as many as “lower middle income” households in
rural areas as in urban areas. At the highest income level there are 2.3 million urban
households as against 1.6 million households in rural areas.

According to Mr. D Shiva Kumar, Business Head (Hair), Personal Products
Division, Hindustan Unilever Limited, the money available to spend on FMCG
products by urban India is Rs. 49,500 crores as against is Rs 63,500 crores in rural
India.

At a recent seminar in Chennai on “Rural Marketing for a competitive advantage in
globalize India” organized by Anugarh Madison Advertising Private Limited
marketing pundits have echoed that a sound network and a thorough understanding
of the rural market is a must for making inroads into rural markets. The price sensitivity
of a consumer in a village is something the marketers should be alive to. The focus of
corporate should be on the introduction of brands and develop strategies specific to
rural consumers. Britannia Industries launched Tiger Biscuits especially for the rural
market. Similarly, Hindustan Unilever Limited (HUL) has successfully influenced the
rural market for its shampoos in sachets. The sachet strategy has proved to be so
successfully that according to an ORG-MARG data, 95% of total shampoo sales in
rural India by sachets.

Rural markets are green pastures for any marketer provided his marketing plans are
attuned to specialties of rural markets. Being a new market, it could be easily mended.
The potential of rural markets is said to be like a Woken Up Sleeping Giant.

2. What Makes Rural Markets Attractive?
With 128 million households, the rural population is nearly 3 times the urban. As a
result of the growing affluence, rural India has a large consuming class of 41% of
India’s middle class and 58% of total disposable income. We can see there is sharp
increase in the literacy and education level and demand for branded products. Enormous amount of financial assistance in the form of rural development programs
from government and other sources are provided in different parts of rural areas.
Today due to the affect of globalization there is increased contact of rural people with
urban counterparts due to development of transport and communication network.

<table>
<thead>
<tr>
<th>FMCG</th>
<th>Rs. 65000 crore</th>
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<tbody>
<tr>
<td>Durables</td>
<td>Rs. 5000 crore</td>
</tr>
<tr>
<td>Agri-Inputs(including tractors)</td>
<td>Rs. 45000 crore</td>
</tr>
<tr>
<td>2/4 Wheelers</td>
<td>Rs. 8000 crore</td>
</tr>
</tbody>
</table>

Source: Rural Marketing in India, Ruchika Ramakrishnan.
In 2001-2002 LIC sold 55% of its policies in rural India. Of 2 million BSNL mobile connections, 50% are in small towns/villages. Of 6 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 are availing banking services in comparison to 27 million urban households. Investment in formal savings instrument is 6.6 million households in rural and 6.7 million in urban households.

Rural population has been increased about 74% of the total population: the demand for products and services has increased a lot in rural areas. Government emphasis on rural development has caused significant changes in the rural scenario. Moreover, special attention given for infrastructure development through the successive Five Year Plans has improved the buying and consumption pattern of rural people.

Rural markets are virgin markets and their size is compelling and attractive. Rural marketing environment reveals that there are opportunities as well as problems. While size is an advantage, problems are scattered markets, poor standard of living and socio-economic and cultural backwardness because of which special marketing strategies are needed.

**Opportunities**
In 50 years 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+ population is connected by STD. Low penetration rates in rural areas there are marketing opportunities:

<table>
<thead>
<tr>
<th>FMCG’s</th>
<th>Urban</th>
<th>Rural</th>
<th>% of Rural HH in Total</th>
</tr>
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<tbody>
<tr>
<td>Shampoo</td>
<td>66.3</td>
<td>35.2</td>
<td>44.2</td>
</tr>
<tr>
<td>Toothpaste</td>
<td>82.2</td>
<td>44.9</td>
<td>55.6</td>
</tr>
</tbody>
</table>

*Source: Rural Marketing in India Ruchika Ramakrishnan*

### 3. Challenges of Rural Marketing
Rural marketing is a time consuming affair and requires considerable investment in terms of evolving appropriate strategies with a view tackle the problems. The problems are managing physical distribution, channel management, sales force management and promotion and marketing communication. Managing physical distribution relates to transportation, warehousing and communication. Channel management in rural areas...
include village level shopkeeper, mundi-level distributor, and wholesaler. Scope of manufacturer’s own outlet such as showroom is limited. Sales force management in rural markets. Those who are genuinely happy in living and working in villages can become good rural salesman. Managing the rural sales force. Administrating such a large and scattered sales force, supervising them, motivating them, giving them orientation about the rural marketing environment and training in non-conventional means of market promotion, supporting them in sales, personal problems is really a tiresome job for the sales manager. Promotion and marketing in rural market. The crux of marketing communication in the rural context is finding a media mix that will deliver the required message in a cost effective manner to the illiterate target audience.

4. Developing a Marketing Mix for Rural Markets
a) Identifying and selecting target markets: the criteria for rural-urban differentiation should be analyzed to have a clear perception on the dominant factors that influence rural consumer behavior.
b) The Product Mix: product mix are needed to suit the per capita income, the product utility values, habits and attitude of rural people. Basically the product should be made available in small packets and should be cheap to suit their budget.
c) The Price Mix: price strategy should suit the quantum and frequency of income receipt of rural people. Low price should not be anyway affecting quality of products.
d) The Distribution Channel: rural marketing problem is essentially a distribution problem. Producers may have a tie-up arrangement with the cooperative institutions which are deep rooted in the villages to ensure regular supply of products. More and more companies turn to the local haats to sell the products.
e) The Promotion Mix: the technological advancement in the field of T.V has made it a powerful medium to expose products to rural people. Radio continues to be the common medium to reach them. Low literacy level does not warrant heavy advertisement in the print media. Publicity through special shows, films, mobile vans painted walls and participation in village hats and melas are good means of promotion.

5. Suggestions
Suitable structure of support prices for various farm commodities adjusted from time to time. Government has to take the lead in the establishment of modern infrastructure facilities. Regulated infrastructure of markets and warehouses which ensure fair prices. Rural roads must be compliment and co-ordinate with railways, nearest waterways(ports) and airports if possible. Power of General Insurance must be given to cooperatives. Development of communication systems appropriates to rural market, info cells needed for rural communication. Public weighing machines one in each rural
market to ensure correct weighing both for farm- non farm arrivals. For storage facilities the Government should not depend on private agencies to store food-grains. Rural market need more number of godowns and ancillary platforms for packaging and market office cum information cell, bank and post-office also required. Agricultural technology must reach all over the country, irrespective of size of land holding Rural communication must be in regional language and dialects. Proper packaging technology must be improved Processing units should utilize fully capacity There is also a need to find out markets for agro-based products within and outside of the country. Extending financial support for modernization of the agro-processing units is also needed. The existing marketing staff must be increased and adequate training must be given.

6. Conclusion
Looking at the challenges and 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. A radical change in attitudes of marketers towards the vibrant and burgeoning rural markets is called for, so they can successfully impress on the 230 million rural consumers spread over approximately 600 thousand villages in rural India. Considering the emerging issues and challenges, government support is necessary for the development of marketing of agricultural produce. The Government may adjust suitable budget allocations to rural infrastructure plans, proper supervision for effective plan implementation. The core areas like transport, roads, communication, credit institution, crop insurance for better utilization of land and water at appropriate level. Rural markets and rural people will develop rural income and reduce poverty. On the whole, country’s economy will boost at an expected level.

References