

# Understanding Rural Markets – A Study of Potential Opportunities and Challenges

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## **Abstract:**

Around the world, four billion people lives in poverty and marketing firms are still struggling to turn them into customers. For the past decade, business visionaries have argued that these people, dubbed the —Base of the Pyramid, make up an enormous, untapped market. Some of the world's biggest, savviest corporations have aimed to address their basic needs — by selling them everything from clean water to electricity and from FMCG to consumer durables. Improving the lives of billions of people at the bottom of the economic pyramid is a noble endeavor. It can also be a lucrative one. Fast pace of technology advanced every sphere of social, economic, political cultural life, produce, reduce costs, distribute, and expect higher profits. The focus is on tapping the rural markets. Urban markets have saturated lied to look rural markets.

This paper presents a review of rural markets" environment, Problems and strategies in India. Rural marketing has become the latest mantra of most corporate even MNCs are eyeing rural markets to capture the large Indian market. This throws an open ground challenge to the marketers in a country with multi-cultural, multi-lingual varsity. This paper is an attempt to provide some mettle solutions to these challenges as it studies and follows some successful rural marketing strategies of modern times.

**Key Words:** Base of the Pyramid, Rural Marketing, Rural Markets, Multi-Cultural, Multi-Lingual Varsity, Business Visionaries & FMCG

## **Introduction:**

The market structure in India is dichotomous having rural and urban markets. But many do not concur with this view as they contend that consumer everywhere is a consumer and hence their needs, aspirations, beliefs and attitudes will also be the same. The fact, however, remains that there are certain unique characteristic features which call for separate marketing strategies to be distinctively developed to suit the rural and urban market behavior. Conditions existing in urban markets at present can also be analyzed in this context.

First, the urban markets have almost reached a saturation level that further tapping them with a high profit margin has become difficult. Secondly, competition is becoming tough in urban markets compelling many firms to incur heavy costs in promotional expenditure. Thirdly, the awareness level of urban consumers is high and hence product features have to be changed often. Needless to say this process needs a huge investment which will have

a negative impact on profitability. Thus, except perhaps for easy reach the urban markets have become as oasis. Importance of Rural Markets: With the presence of 12.2% of the world population in the villages of India, the Indian rural FMCG market is something no one can overlook. Increased focus on farm sector will boost rural incomes, hence providing better growth prospects to the FMCG sector. Better infrastructure facilities will improve their supply chain. FMCG sector is also likely to benefit from growing demand in the market. Because of the low per capita consumption for almost all the products in the country, FMCG companies have immense possibilities for growth, at present 53 per cent of all FMCGs and 59 per cent of all consumer durables are being sold in rural India. The biggest FMCG Company in India HLL derives more than half of its Rs. 12,000 crores revenues from the rural markets. The rural market is an enigma for the companies. Due to the lack of deeper insights into the psyche of the rural consumers, companies are hesitant to explore this territory. But local brands, have been able to successfully tap the opportunities presented by rural market. And if the companies are able to change the mindset of the consumers, i.e. if they are able to take the consumers to branded products and offer new generation products, they would be able to generate higher growth in the near future.

It is expected that the rural income will rise in 2010, boosting purchasing power in the countryside. At present, urban India accounts for 66% of total FMCG consumption, with rural India accounting for the remaining 34%. However, rural India accounts for more than 40% consumption in major FMCG categories such as personal care, fabric care, and hot beverages. In urban areas, home and personal care category, including skin care, household care and feminine hygiene, will keep growing at relatively attractive rates. Within the foods segment, it is estimated that processed foods, bakery, and dairy are long-term growth categories in both rural and urban areas. Factors Which Have Been Recognized as Responsible for Existence in the Boom of Rural Market: Increase in population and hence increase in demand. A marked increase in the rural income due to agrarian prosperity.

#### **Standard of living is also growing up in rural areas:**

Large inflow of investment for rural development programmes from government and other sources. } Increased contact of rural people with their urban counterparts due to development of transport and wide communication network. Increase in literacy and educational level and resultant inclination to sophisticated lives by the rural folks. Inflow of foreign remittances and foreign made goods into rural areas. Change in the land tenure systems causing a structural change in the ownership patterns and consequent changes in the buying behavior. Objectives of the Study: To understand the rural market. To unleash the potential of rural market. To assess the paradigm shift from urban to rural market. To analyze the various parameters of potential of rural market. To offer the conclusions. Understanding the Potential of Rural Market: Large Population: 742 million Indians constituting 138 million households reside in 6,38,365 villages.

The size of rural market itself speaks of its potential Growth in Market: The market has been growing at 3-4% per annum adding more than one million new consumers every year. Consumer is brand loyal and understands symbols better. View it as you may, few people dispute that the rural market is massive. According to Singh, 12.2% of the world's consumers live in India. "Rural households form 72% of the total households. This puts the

rural market at roughly 720 million customers." Gupta of TSMG extrapolates the Census 2001 numbers and comes up with an estimate of 790 million. "Total income in rural India (about 43% of total national income) is expected to increase from around US\$220 billion in 2004-2005 to US\$425 billion by 2010- 2011, a CAGR of 12%," he says.

### **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, exam results, career counseling, job opportunities, government schemes and services, health and legal advice and services, worldwide news and information, land records, mandi prices, weather forecasts, bank loans, livelihood options. If television could change the language of brand communication in rural India, affordable Web connectivity through various types of communication hubs will surely impact the currency of information exchange. As the electronic ethos and IT culture moves into rural India, the possibilities of change are becoming visible.

**Impact of Globalization:** The impact of globalization will be felt in rural India as much as in urban. But it will be slow. It will have its impact on target groups like farmers, youth and women. Farmers, today 'keep in touch' with the latest information and maximize both ends. Animal feed producers no longer look at Andhra Pradesh or Karnataka. They keep their cell phones constantly connected to global markets. Surely, price movements and products' availability in the international market place seem to drive their local business strategies. On youth its impact is on knowledge and information and while on women it still depends on the socio-economic aspect. The marketers who understand the rural consumer and fine tune their strategy are sure to reap benefits in the coming years.

In fact, the leadership in any product or service is linked to leadership in the rural India except for few lifestyle based products, which depend on urban India mainly

**Increasing Income and Purchasing Power:** The agricultural development programs of the government have helped to increase income in the agricultural sector. These in turn have created greater purchasing power in rural markets.

**Accessibility of Markets:** The attraction of a market depends not only on its potential but also on its accessibility. The road network has facilitated a systemized product distribution system to villages. An increasing number of companies are supplying village markets directly. Increasing direct contacts to villages helps product promotion and availability of the product in the village shop.

**Consumer Behaviour Changes:** Increased literacy and greater awareness in rural markets create new demands and discriminating buyers. This is observed more in the younger generation. In villages today, this segment of buyers consumes a large variety of products, both durables and non-durables. There is a visible increase in the consumption and use of a variety of products, which is easily observed.

**Competition in Urban Markets:** Intensified competition in urban markets increases costs and reduces market share. The rural markets are therefore increasingly attractive in relation to urban markets. The automobile market brings this out clearly. Rajdoot motorcycles, Bajaj scooters or Ambassador Cars find ready acceptance in rural markets as compared to urban markets where there is a proliferation of brands.

The general notion is that the rural markets have potential only for agricultural inputs like seeds, fertilizers and pesticides, cattle feed and agricultural machinery. More than 50% of the national income is generated in rural India and there are opportunities to market modern goods and services in rural areas and also market agricultural products in urban areas. In fact it has been estimated that the rural markets are growing at five times the rate of urban markets. About 70% of bicycles, mechanical watches and radios and about 60% of batteries, sewing machine and table fans are sold in rural India.

The villagers have not only adopted the modern ways of agriculture as a business but also have accepted modern living. Apart from the food items, they are involved in buying durable products. This change in the attitude of rural consumers is extensive across the country side. The mounting rural market is important to growth of economic development of India. Rural markets have proved to be very attractive for corporate and the size of market is increasing gradually. The increased purchasing power of the rural consumers and the improved income distribution has increased rural demand for several products. With a population by now in excess of one billion people, India has attracted multinational corporations across the globe as a place of opportunity for exploring new markets.

The sales of colour television, washing machines, refrigerators, shampoos, face cream, mosquito repellent and tooth paste are very low and there is great potential for such products in rural markets. While rural markets offer huge attractions to the marketers, it is not easy to enter the market and take a sizeable share of the market within a short period. This is due to low literacy, low income, seasonal demand and problems with regards to transportation, communication and distribution channel. Further there are different groups based on religion, caste, education, income and age. There is a need to understand the rural markets in terms of buyer behaviour, attitudes, beliefs and aspirations of people.

### **OBJECTIVES OF THE STUDY:**

The main objectives of the study are:

1. To understand the situation in which the rural market operates.
2. To find out the natural problems associated with rural market.
3. The market strategies which can be successfully implemented to exploit the potentials of the rural market.
4. To find out the views of the rural consumers about the consumer goods.

The development of rural market. The markets are much near to the rural areas of the district and the markets are main place from where rural consumers use to buy the Durable Products. The people of these areas have greater opportunities of employment and have more disposable income than other remote rural areas; hence,

there is a lot of potential of rural marketing for Consumable and Durable products. The selection of sample villages has done by stratified sampling methods, although, selection is random. Out of the large number of villages, 20 villages have been selected in Jodhpur district.

Since the primary objective of this study is to know the potentials of marketing of durable products in rural areas. The present study is mainly based on the primary data collected with the help of structured questionnaire and interview. The necessary data for this study had been collected through an interview schedule by directly approaching the respondents and other relevant data from some secondary sources also. All the data for the purpose of the study and deep analysis had been collected during the field work. Preliminary data had been collected for villages. During the survey in rural areas, the researcher has taken interviews on the basis of prepared standard questionnaire of about 10 persons in every village.

### **RURAL CONSUMERS' ATTITUDE TOWARDS DURABLES:**

Rural consumers play a significant role in this research work. We have incorporated all the information received during the field work and personal interviews taken on the basis of already prepared questionnaire in this research work. We have taken interviews of about 200 rural consumers with the help of questionnaire for Durable products respectively, and the information received is presented here.

Durable products include Radios, Tape-Recorders, Television, Refrigerators, Washing machines, Room coolers and heaters, Clocks and Wrist watches, BI-cycles and mopeds.

According to rural consumers the demand of these products is growing day by day continuously. But the demand for other products similar to these standard branded products is also very high because the prices of these products are very low in the comparison of standard branded products. That is why the customers are more inclined towards these products because the difference of the cost between these products sometime is 20% to 30%, meaning thereby these products are much cheaper than the original branded products. These products do thrive in the rural market and it can ordinarily be found in village shops.

Imitation products apart, these are also locally manufactured branded and unbranded products which are quite popular. These products also have sufficient demand in rural areas to sustain such manufacturers. These products are not only similar in their names, but in features and functions also, and so similar that it is very difficult to recognize it. Most of the rural consumers are of the view that if the supply of original products can be made proper and the prices and quality of these products can be made in accordance with the rural consumers then the demand of these products can be enhanced.

The reason behind such a wide range of products sold in rural areas seems to be the heterogeneous nature of the rural market. The wide disparities in income level and the consequent life styles warrant such variety. Hence, there is reason enough for the manufacturers and marketing men to think in terms of products specifically designed or modified for the rural segment.

**ATTITUDE OF RETAIL SHOPKEEPERS TOWARDS RURAL CONSUMERS:**

By retailers, we mean which work like a centre for all the villagers of that particular area and from where a large number of rural consumers buy durable products. In this research, we have chosen these kinds of shopkeepers and all the information's furnished by them have been given here.

The first and foremost motive of the retailers is to earn higher profits. Therefore, they sell only those products which yield the maximum profit to them. For this they sell the products of those brands on which the percentage of profit is more. They do not give much attention on the quality of the product. That is why they are least interested in selling the product of those companies where the rate of profit is low.

In villages beyond the reach of distribution system the shop-keeper make their own arrangement for procurement. The retail shop-keepers have to purchase their stock from wholesalers or authorized dealers who generally are in the nearby cities or towns. Thus, the cost for these retailers goes up by 10% to 15% of the actual cost of products because they have to spend some amount on transportation etc. Because of the transportation and other expenses their profits automatically go down equivalent to the cost incurred on the transportation etc. Therefore, these retailers are more interested in selling the products of local brands, rather than the products of standard brand. According to these retailers, the rural consumers are also more interested in buying and consuming the products of local brands, because they have to spend fewer amounts to fulfill their needs and requirements.

Even rural consumers do not show great enthusiasm in the product of standard brands, as they do not have much information about these product and they are solely dependent on the retailers.

It is, thus, revealed in the study that retailers are the main link between the producer and consumer as far as the rural market is concerned. Normally, they buy products from the nearby towns; deal in wide variety of products, purchasing the products from suppliers mostly based on customer requirement. The retailers in the rural market buy mostly from wholesalers and, in some cases, from the manufacturers. The credit facility enjoyed by them from wholesalers makes them dependent on the wholesalers and big retailers. The mode of transportation adopted by them in most cases is by bus. A majority of them buy on a weekly basis. As they get credit facility, they also extend the same benefit to their customers in the villages. It may, thus, be concluded that the effectiveness of rural marketing by marketers heavily depends on the understanding of behaviour, attitudes and functioning of retailers.

**ATTITUDE OF THE WHOLESALERS AND DEALERS TOWARDS RURAL CONSUMERS:**

We have tried to know the opinion of the wholesalers in reference to rural consumers and markets on the basis of interview of the wholesalers and authorized dealers during the field work. We have incorporated all this information in this research paper. It is very difficult for them to provide or make available their product directly in rural areas. The main reason for this is the vastness and uneven spread of rural population. In rural areas people live in very small villages and at a great distance and even in these villages demand for these products are minimal but the cost incurred on to satisfy these demands are much higher than the profit. Therefore, the wholesalers suffer

losses instead of profit.

Firstly, the demand of Durable product is very low in rural areas and it is seasonal also which are generally demanded on some special occasions or festivals or marriages. So the demand comes down automatically once these occasions are over. That is why to meet the demand of these rural areas the wholesalers do not want to make a permanent distribution system because the cost incurred on these systems are much higher. In spite of distribution system, they give some incentives or discount to the retailers to encourage them to sell their products in rural areas. Thus, they get their product reached or accessed to the rural people according to their demand without higher distribution costs and wholesalers have not to do many efforts for this.

### **BUYINGMOTIVES:**

Marketers have been using buying motives to handle the consumers. 'Buying Motive' provides the psychological justification for the acceptance of a product. This tool has proved a success with urban consumers. It is necessary for the marketer first to identify the psychological characteristics, which can act as the 'Buying Motives'. Though the sources of information are many, it is likely that the consumers use the information from only one or two source for decision-making. Rural consumers are influenced by information received and opinions formed from various sources in making their buying decisions. The other sources in order of importance are -- opinions of family members, advice of friends and neighbours, and shopkeepers' advice.

It may be noted that advertisements have been considered as major influences in purchase decisions. In case of consumer durables, advice of friends and neighbours is found to be a major source, while family members, opinion leaders and shopkeepers are other important source influencing the buying decisions. Self-experience is not a major influence, because consumer durables are not purchased repeatedly. Even in this case advertisements were an important influencing source.

### **STRATEGIES**

Consumer durables face many marketing problems and are not able to penetrate the rural market like non-durables. Several road blocks make it difficult to progress in the rural market. Marketers encounter a number of problems like dealing with physical distribution, logistics, proper and effective deployment of sales force and effective marketing communication when they enter rural markets. Where the rural market does offer a vast untapped potential, it should also be recognized that it is not that easy to operate in rural market because of several attendant problems. Rural marketing is, thus, a time consuming affair and requires considerable investment in term of evolving appropriate strategies with a view to tackle the problems. The major problems faced by manufacturing and marketing men in rural areas are described below:

1. Breaking of bulk into small volume not possible;
2. requires more investment by consumer during purchase;
3. requires installation/after sales service;
4. Higher repurchase cycle;

5. Difficult to do cross promotions;
6. Requires separate retailer for the products;
7. Transportation problems due to bulkiness of products;
8. Dependent on other factors like Electricity, Fuel etc;
9. Banking and Credit problems: Inadequate banking and credit facilities;
10. Problems regarding Handling, Storage and Transportation;
11. Seasonal demand;
12. Stress on unbranded and cheap items;
13. Problems regarding Marketing research and development:
  - (A) Unpopularity of marketing research in India and
  - (B) Lack of research data.

Durables are sold to rural areas by the retailers operating from nearby towns. Very less effort are done to promote the products in rural areas except some road shows and advertising in cinema halls. Few companies have made efforts to promote the products in rural gatherings like Shandies and haats. Hence, rural marketing requires separate marketing strategies for the marketing mix elements viz, Product, Price, Place and Promotions, which could be formulated after studying the market carefully. Multi—Branding: A company may introduce several brands in a product—line with different features to appeal to different categories in the same customer group. Many FMCG companies follow this strategy. Co—Branding: Today, we find offers with two or more brands of the same company or different companies. When a marketer offers one brand with another brand of the same company or another company it is called co-branding. Such offers may take two different forms:

Ingredient co-branding

Product co-branding

Products at low end: A range of products targeted for the rural consumer could be launched with low price and low quality to counter the spurious products. This can be done by developing franchisee units to manufacture low-end products with a highly localized Affordability: The income of rural consumers is unsteady. The sources of income as well as the size of income earned per day vary. They cannot hence make planned purchases and large purchases. Small pack sizes help the rural consumer pick the product at a price that he can afford.

Combo-packs: Another packaging innovation is ‘combo-packs’. When related products are packed together and sold at economy prices, the consumer finds it a better option to buy. The Combo-Pack may become an ‘assortment’ when more than two products are packed together. Marketing Strategy is affected by various factors like Type of product (Durable or nondurable), profile of target market, internal strengths’ of company, competitor’s strategies, stage of product in its life cycle, facilities available for using marketing mix etc.

Moreover, strategy can be formulated at various levels; generic strategy for all firms, Corporate Strategy at corporate level of a firm, Business Strategy for a particular Strategic Business Unit of the Company, marketing mix strategy at marketing Department of a particular Strategic Business Unit etc. This research is focused on generic marketing mix strategies for various types of products in the rural gatherings.



**CONCLUSION:**

The present discussion on some aspect of rural marketing should not give the impression that rural markets have not been exploited at all. Its purpose is only to highlight the growing importance of rural markets in the fast changing economic situation. Already, substantial penetration has been made by the producers of most consumer goods. Though the cost of distribution and promotion is bound to be high and producers even may sustain losses in the initial stages, this should not deter them from entering the market the potentialities of the rural market are great indeed. With the changing economic conditions in the country, and with better purchasing power, among the rural population, the newly emerging rural markets are bound to yield rich dividends.

In rural marketing, the vast spectrum of courses to be followed require special care and attention with respect to the product, its quality, packaging, brand, pricing, advertisement, personal selling and channel of distribution. The strategy of rural marketing has to be appropriate appreciating fully the scattered character of rural markets, and the need for a different communication mix on account of the lower level of education and environmental differences. All this calls for concerted and co-coordinated action on the part of both the government and the industry. The government role lies primarily in developing the infrastructure, e.g. A good network of roads in the interiors of rural India, speedy arrangement for better light, water and irrigation facilities, financial and technical assistance in setting up the industries in villages, and distribution of their products. The government's role will be equally important in conducting rural market surveys and compilation of vital statistics and their publication for the benefit of business and industry.

There certainly is a place for premium products, but consumers in rural market for those products are scattered and difficult to reach. Therefore, such products can be left to be bought from the nearest urban centre. The attraction of rural market is in their size as mass markets. Those who design products for such mass markets will prosper and grow rapidly.

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