

# ISSUES AND PROSPECTS OF RURAL MARKETING IN INDIA

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## ABSTRACT

“**Rural marketing** can be seen as a function which manages all those activities involved in assessing, stimulating and converting the purchasing power into an effective demand for specific products and services, and moving them to the people in rural area to create satisfaction and a standard of living for them. 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. Many of the marketers concentrate only in urban and semi urban marketing. Since the demand creation in the rural marketing is somewhat challenging one. But present scenario marketers looking towards the rural also. In this study completely reveals what kinds of problems faced by the rural marketers and future predictions about the rural marketing. Here secondary data which is used for this analysis.

## INTRODUCTION

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.

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.

## OBJECTIVES

- To know the feature of rural marketing
- To know the major investments and developments in the Indian rural sector.
- To identify the Government initiatives
- To understand the risk and barriers face by the rural marketing
- To know the future of rural marketing

## RESEARCH METHODOLOGY

For this study descriptive research and secondary data is used for analytical purpose.

## 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.

## INVESTMENTS

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

- Tata Motors, India's 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 India's 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.
- Hyderabad-based infrastructure company IVRCL Ltd has announced that the firm's irrigation and water divisions have won orders worth Rs 1,255.67 crore (US\$ 203.14 million). The irrigation division has got an order from the Karnataka government for the Tubachi-Babaleshwar life irrigation scheme which aims to provide water from river Krishna to the drought-prone areas of three talukas in the state. The project is expected to irrigate around 80,000 acres and is worth Rs 1,022.58 crore (US\$ 165.43 million).
- 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

## Government Initiatives

The government plans to spend Rs 75,600 crore (US\$ 12.23 billion) to supply electricity through separate feeders for rural and agricultural domestic consumption - an initiative aimed at providing round-the-clock power to villages. This outlay is inclusive of expenditure towards an integrated power development initiative which involves strengthening distribution and sub-transmission systems.

The Government of India seeks to promote innovation and technology development in rural and tribal areas of the country. The government plans to form a committee that will study these innovations and submit a report to the department or ministry concerned. The programme, Nav Kalpana Kosh aims to improve rural areas at all levels - governance, agriculture and hygiene, among others.

Banks are working on establishing 'Rural ATMs' which will dispense currency notes of smaller denominations. "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).

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.

## **RISK AND BARRIERS FACE BY THE RURAL MARKETING**

Twelve problems faced in rural marketing are as follows: 1. Deprived people and deprived markets 2. Lack of communication facilities 3. Transport 4. Many languages and dialects 5. Dispersed markets 6. Low per capita Income 7. Low levels of literacy 8. Prevalence of spurious brands and seasonal demand 9. Different way of thinking 10. Warehousing problem 11. Problems in sales force management 12. Distribution problem.

### **Deprived people and deprived markets:**

The number of people below the poverty line has not decreased in any appreciable manner. Thus, poor people and consequently underdeveloped markets characterize rural markets. A vast majority of rural people is tradition bound, and they also face problems such as inconsistent electrical power, scarce infrastructure and unreliable telephone system, and politico-business associations that hinder development efforts.

### **Lack of communication facilities:**

Even today, most villages in the country are inaccessible during the monsoons. A large number of villages in the country have no access to telephones. Other communication infrastructure is also highly underdeveloped.

### **Transport:**

Many rural areas are not connected by rail transport. Many roads have been poorly surfaced and got severely damaged during monsoons. The use of bullock carts is inevitable even today. Camel carts are used in Rajasthan and Gujarat in both rural and urban sectors.

### **Many languages and dialects:**

The languages and dialects vary from state to state, region to region and probably from district to district. Since messages have to be delivered in the local language, it is difficult for the marketers to design promotional strategies for each of these areas. Facilities such as phone, telegram and fax are less developed in villages adding to the communication problems faced by the marketers.

### **Dispersed markets:**

Rural population is scattered over a large land area. And it is almost impossible to ensure the availability of a brand all over the country. District fairs are periodic and occasional in nature. Manufacturers and retailers prefer such occasions, as they allow greater visibility and capture the attention of the target audience for larger spans of time. Advertising in such a highly heterogeneous market is also very expensive.

**Low per capita Income:**

The per capita income of rural people is low as compared to the urban people. Moreover, demand in rural markets depends on the agricultural situation, which in turn depends on the monsoons. Therefore, the demand is not stable or regular. Hence, the per-capita income is low in villages compared with urban areas.

**Low levels of literacy:**

The level of literacy is lower compared with urban areas. This again leads to a problem of communication in these rural areas. Print medium becomes ineffective and to an extent irrelevant, since its reach is poor.

**Prevalence of spurious brands and seasonal demand:**

For any branded product, there are a multitude of local variants, which are cheaper and hence more desirable. Also, due to illiteracy, the consumer can hardly make out a spurious brand from an original one. Rural consumers are cautious in buying and their decisions are slow, they generally give a product a trial and only after complete satisfaction they buy it again.

**Different way of thinking:**

There is a vast difference in the lifestyles of the people. The choice of brands that an urban customer enjoys is not available to the rural customer, who usually has two to three choices. As such, the rural customer has a fairly simple thinking and their decisions are still governed by customs and traditions. It is difficult to make them adopt new practices.

**Warehousing problem:**

Warehousing facilities in the form of godowns are not available in rural India. The available godowns are not properly maintained to keep goods in proper conditions. This is a major problem because of which the warehousing cost increases in rural India.

**Problems in sales force management:**

Sales force is generally reluctant to work in rural areas. The languages and dialects vary from state to state, region to region, and probably from district to district. Since messages have to be delivered in the local language, it is difficult for sales force to communicate with the rural consumers. Sales force finds it difficult to adjust to the rural environment and inadequate facilities available in rural areas.

**Distribution problem:**

Effective distribution requires village-level shopkeeper, toluca-level wholesaler/dealer, district-level stockiest/distributor, and company-owned depot at state level. These many tiers increase the cost of distribution.

Rural markets typically signify complex logistical challenges that directly translate into high distribution costs. Bad roads, inadequate warehousing and lack of good distributors pose as major problems to the marketers.

## FUTURE OF RURAL MARKETING

The future of rural marketing Introduction India is an agro-based economy and the growth of most of the other sectors of economy is driven by rural demand. Urban market is reaching towards the saturation point, thus bringing in an urgent need to focus on rural development. Moreover, more than 70% of India's population lives in villages and constitutes a big market for industry because of increasing disposal incomes and awareness level.

In comparison to just 5,161 towns in India there are 6, 38,365 villages in India. This in itself is an indicator where the real India resides. Companies are realizing slowly but surely that the key to gain true market leadership lies in tapping the rural potential. 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 the purchasing power of the rural communities.

Market is growing at a rate of 3-4% per annum. • 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 Rediff mail sign-ups, 60% are from small towns. • 42 million rural households (HHs) are availing banking services in comparison to 27million urban HHs. • Investment in formal savings instruments is 6.6 million HHs in rural and 6.7 million HHs in urban.

“ A farmer went to near by small town to book a rent cab to attend an auspicious occasion near by village ,finding no cab available for rent he instantly purchased Brand new Mahindra Bolero” With 742 million people, rural India is the largest potential market in the world estimated 1,25,000 crores FMCG – 53% Rs.65,000 crores Agri-inputs Rs.45,000 crores 2/4 wheelers Rs.8,000 crores Consumer Durables Rs.5,000 crores The increase in procurement (minimum support price) MSP has contributed to a rise in rural demand. Government schemes like NREGS [National Rural Employment Guarantee Scheme, which guarantees 100 days of employment to one member of every rural household] reduced rural underemployment and raised wages. Also, farmers benefited from loan waivers [introduced in the last Union Budget]. The increase in rural purchasing power is reflected in rural growth across a number of categories.

Focused marketing strategies • To succeed in rural market, companies will need to adapt the 4Ps of marketing and the 4As in their strategy – awareness, access, availability and affordability.

Focused Marketing Strategies Product – Developing relevant products to meet the specific needs of rural consumers will exercise the minds of marketers. For eg. We know that voltage fluctuation is a major problem in our villages, because of which bulbs last but a few days. Companies will put their R & D teams to develop filaments that can withstand violent fluctuations, thereby extending the life of the bulb.

Focused Marketing Strategies • Price As rural incomes continue to rise in the coming years, we may see the share of low unit packs coming down somewhat and economy packs gaining share. Also as the reach of media and awareness level improve, we are likely to see companies shift their focus from trade to consumers.

Focused Marketing Strategies • Distribution / Place Challenge of reach will be addressed through innovation. Project Shakti of HUL is one such successful example. Nehru Yuva Kendra ‘volunteers’ model through haats being piloted by MART for Colgate, is another such new model. Amway is already selling bio-fertilizers in rural India, through its famous multi-layer distribution model.

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