
Rural Marketing: Challenges, Opportunities and Strategies

Dr. Satish Modi *

**Assistant Professor, Department of Commerce, I. G. N. Tribal University, Amarkantak (M.P.)*

ABSTRACT:

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. Rural marketing represents the heart of India. Although the Indian rural market, with its vast size and demand base offers great opportunities to marketers; yet 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. 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. Thus in this research paper an attempt has been made to identify the challenges as well as opportunities in Indian rural markets. It also includes the strategies to be followed in Indian rural market for converting challenges into opportunities.

Rural India represents the Heart of India. About three-fourth of the total population of the country resides in the rural areas and majority of them are dependent upon agriculture for their subsistence. Agriculture contributes about 24.7% to the Gross Domestic Product (GDP) of the country. It also contributes about 13.1% to the total Indian exports. This sector provides employment to 58.4% of the country's workforce and livelihood to more than 650 million people. Despite this fact, the condition of these people has not shown any significant improvement. The development of the nation largely depends upon the development of the rural population. Mahatma Gandhi had once said: "India's way is not Europe's. India is not Calcutta and Bombay. Real India lives in her several hundreds of villages" and it is this India

for which the corporate are joining the mad race to market their products. 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 and urgent need to focus on rural development. In comparison to just 5161 towns in India there are 636365 villages in India. This in itself is an indicator where the real India resides. This rural market is yet to be tapped, and has an enormous potential for growth. Companies are realizing slowly but surely that the key to gain true market leadership lies in tapping the rural potential. However, the rural sector in India suffers from different kinds of problems. Some areas are having enough money but their level of awareness and hence consumerism is very low while there are many areas where economic empowerment, education, health etc., are major problems.

PURPOSE OF THE RESEARCH PAPER:

In this research paper an attempt has been made to identify the challenges as well as opportunities in Indian rural markets. It also includes the strategies to be followed in Indian rural market for converting challenges into opportunities.

What is rural marketing?

Rural marketing represents the Heart of India. Rural market is a fast growing market. Census of India defines rural as any habitation with a population density less than 400 per sq. km, where at least 75 percent of the male working population is engaged in agriculture and where there exists no municipality or board. The table below gives us the population and village size details in the country.

Table-1: Rural Population Statistics

Population	Number of Villages	Percentage of Total Villages
Less than 200	114267	17.9
200 – 499	155123	24.3
500 – 999	159400	25.0
1000 – 1999	125758	19.7

2000 – 4999	69135	10.8
5000 – 9999	11618	1.8
10000 & Above	3064	0.5
Total	636365	100

Source: Census 2001

Table-1 indicates that out of total villages of 636365 633301 villages (99.5%) have a population less than 10,000. A rural market can be defined as any market that exists in an area where the population is less than 10,000. Thus 633301 villages of the country covering 742 million people come under the category of rural market. The rural market in India is scattered and spread over a wide geographical area. Indian market is divided into urban and rural markets. Urban market is flooded with low demand while rural market witnesses a high demand. It's the rural segment of market that contributes more profit than its urban counterpart. Rural marketing is a two way marketing process. The contact now encompasses not only marketing of products, which flow to rural areas, but also product, which flow to urban areas from rural areas. So we can define rural marketing as concerned with the flow of goods and services from urban to rural and vice-versa. In addition, it also includes the marketing in the rural areas. Rural marketing broadly involves reaching customers, understanding their wants, supply of goods and services, and ultimately satisfying consumers, leading to more sales. The general impression is that only agricultural inputs like seeds, fertilizers, pesticides, cattle feed and agricultural machinery has a potential for growth in the rural market. However, there is a growing market for consumer goods now.

CHALLENGES IN INDIAN RURAL MARKET:

Rural markets, as part of any economy, have untouched 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. The main challenges in rural marketing are following:

Low Per Capita Income: In rural areas per capita income is lower compared to those in urban areas. Again, the distribution of rural income is highly skewed, since the land holding

pattern, which is basic asset, it is skewed. Thus the rural population presents a highly heterogeneous spread in the villages.

Seasonal Marketing: The main problem of rural marketing is seasonal demand in rural areas, because 75 percent of rural income is also seasonal. Thus rural marketing depends upon the demand of rural people and demand depends upon income and consumer behavior.

Packaging: It is the first important step of product processing. If the packaging cost is high, it will increase the total cost of products. It is suggested that the marketers should use cheaper materials in packaging for the rural markets. One more important factor is the size package e.g. the size of the package should be small.

Low Level of literacy: The literacy rate is low in rural areas compared to urban areas. This again leads to the problem of communication for promotion purpose. Print medium becomes ineffective and to an extent irrelevant in rural areas since its reach is poor.

Transportation problems: Transportation infrastructure is quite poor in rural India. Nearly 80 percentages of villages in the country are not connected by well constructed roads. Marketing activities require transportation facilities. Due to poor transportation facilities, farmers and marketers find it difficult to reach markets.

Warehousing: In the rural areas, there are no facilities for public as well as private warehousing. Marketers face problem of storage of their goods.

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

OPPORTUNITIES IN INDIAN RURAL MARKET:

The Indian rural market, with its vast size and demand base, offers great opportunities to marketers. This is now an established fact. If we just have a look on the hidden potential of the Indian villages then the picture gets clearer.

- 633301 villages of the country covering 742 million people come under the category of rural market. It is about 12 percent of the population of the world, and is larger than the population of the whole of Europe. If this huge population is provided with the skills needed to be fully productive, it would lead to a huge rural middle class which would transform India into the fastest growing economy in the world.
- The size of the rural economy in 2012-13 has been estimated at Rs. 16 trillion. Rural India accounts for 70 percent of India's population, 48 percent of national income, 56 percent of the total expenditure and one third of total savings.
- Since 2000 per-capita Gross Domestic Product (GDP) has grown faster in rural areas than urban centers. 6.2 percent CAGR versus 4.7 percent.
- Between 2009 and 2012 spending on goods and services by rural India at Rs. 3.75 lakh crore was much higher than the urban spending Rs. 2.99 lakh crore. In growth rate of spending too, rural India was ahead of urban. The growth rate between 2009 and 2012 was 19 percent for rural India while it was 17 percent for urban India.
- The rural market has been growing at 3.4% per annum, adding more than one million new consumers every year and now accounts for close to 50 % of volume of consumption of fast moving consumer goods (FMCG). It has been estimated the rural markets are growing at five times the rate of urban markets.
- Harish Manwani, chairman HUL and COO Unilever, has made interesting comments on the opportunity the Indian rural market presents. To quote him, Rural India is a powerhouse and presents an incredible opportunity of potentially adding \$1.8 trillion to the Indian economy which is equal to the current GDP of the country. By 2025, the Indian rural market is expected to grow more than ten-fold to become a \$ 100 billion opportunity for retail spending.
- 42 million rural households (HHs) are availing banking services in comparison to 27 million urban HHs.
- Out of two million BSNL mobile connections, 50% are in small towns / villages.
- The purchasing power of rural families has grown rapidly. Rural Marketing Association of India (RMAI) confirms that rural income levels are on a rise. Income from non-farm sector is likely to touch 66% of net rural income by 2020. Market size would thus, nearly double. Average rural spending would grow 6 times from current

levels in 20 years. Moreover, the percentage of Below Poverty Line (BPL) families declined from 46% to 27%.

- Maruti, the largest passenger car manufacture in India, took its non-urban sales from 3.5 percent five years ago to 26 percent of its total sales in 2012.
- The various infrastructural problems have been tackled to a great extent. Work is in progress for the better connectivity by roads; more than 90% of villages are electrified. Rural telephone density has gone up by 300% in last 10 years. Rural literacy rate has also improved from 36% to 59%.

With these vast potentials in rural markets the market becomes hugely attractive to corporate. Table -2 gives presence of some major firms in rural India in 2011-12.

Table-2

Extent of Presence of some major firms in rural Markets in 2011-12

Company	Category	% Sales from Rural Market
Hindustan Unilever	Household Products	45
Hero Honda	Two-wheelers	60
Dabur	Personal Products	40
Dish TV	Media	33
TVS	Two-wheelers	50

Source: Ernst & Young, quoted in the BW Marketing White Book, 2012-13

STRATEGIES TO BE FOLLOWED IN RURAL MARKET:

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. 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 in Indian Rural Market are following:

- **Product Strategy:** The first decision to be made in product strategy in the rural context is whether the product being sold in the urban market should be offered as it is to the rural market or whether it must be adapted and offered. It depends on the situation and the nature of the product. Income and socio-cultural realities of the target segment ought to determine the product strategy. Adapted, lower-priced, product-versions do help in rural markets.
- **Pricing Strategy:** Pricing is a determinant of the market demand for the product. There are several views with regard to pricing strategy for the rural market. One view is that pricing for the rural market must be affordability based and hence, low unit price must be the preferred option. The second view is that products must be sold at common prices in both the rural and urban markets. The argument is that there are as many rural rich as there are urban poor. LG's rural colour television models, Sampoorna, originally launched for the rural market proved to be equally or more successful in the urban markets. The third view is that a slightly modified, no frill brand at a lower price will be the right strategy for the rural market. Analysis of the relatively more effective practices in the rural context indicates that combining price, product and packaging may be useful in working out pricing strategy in the rural context.
- **Marketing Strategy:** Marketers need to understand the psychology of the rural consumers and then act consequently. Rural marketing involves more exhaustive personal selling efforts compared to urban marketing. Firms should abstain 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, fairs 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 companies having excellent Infrastructure 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 fairs 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 fairs are held in rural India every year. Rural markets have the practice of fixing specific days in a week as Market Days 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" 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:** Marketers must be very careful while choosing the mediums 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. Radio is also very popular source of information and entertainment, Adds on radio can also be a helpful tool for marketers.

CONCLUSION: Thus, looking at the challenges and the opportunities, which rural markets offer to the marketers and the manufacturers, it can be said that the future is very promising for those who can understand the dynamics of rural markets and make use of them to their

best advantage. Rural markets now offer a number of new growth opportunities that are expected to reach their potential in the coming years. The real challenges, however, is to develop business models that address accessibility, affordability and availability in an appropriate manner. The companies that bring a “Business mind, social heart” approach will be able to connect better with rural consumers and win this rural race.

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