



THE GROWTH OF RURAL MARKETING IN INDIA

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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.

INTRODUCTION

Marketing can be defined as the process of identifying, anticipating and knowing customer needs, and organizing all the resources of the company to satisfy them. Satisfying the customer's need is primary condition of marketing and essential for existence of any organization. In order to achieve marketing goals, knowledge of consumer behavior is must. The consumer's behavior comprises the acts, processes and social relationships exhibited by individuals, groups and organizations in searching, obtainment, use of, and consequent experience with products and services. An understanding and knowledge of the motives underlying consumer behavior helps a firm in seeking better and more effective ways to satisfy its customers. It helps to select appropriate sales and advertising strategies, and to plan marketing program in a more efficient manner.

The rural market of India started showing its potential in the 1960s. The 70s and 80s witnessed its steady development. And, there are clear indications that the 21st century is going to see its full blossoming. In our country, where research on consumer behaviour has been nominal, not much systematized information is available about the rural consumers. Only a few enlightened companies, known for their marketing orientation, viz., Hindustan Lever, Philips India, Asian Paints, Singer and Larsen and Toubro have made concrete efforts in this direction. But, by and large, we have still to understand the rural buyer, his habits, attitudes and behaviour, particularly from the marketing point of view.

Many assumptions prevail about rural marketing. For instance, one assumption is that the rural buyer is not very discriminating. Once he is persuaded to buy a particular product, he develops a strong affinity for it, and if satisfied, becomes brand loyal. As a result, Indian manufacturers are generally known to prefer selling fewer items at higher prices than selling more items at lower prices. A contrary view is that the rural buyer, being suspicious of the marketer's hard sell techniques, is quite discriminating, and is not easily persuaded. Yet another assumption is that the rural buyer is not particularly keen about quality and packaging. Some other assumptions can be quoted. But, all these need deep probing for arriving at valid and reliable conclusion.

MEANING AND DEFINITION OF RURAL MARKETING

The term „rural marketing“ used to be an umbrella term for the people who dealt with rural people in one way or other. This term got a separate meaning and importance after the economic revaluation in Indian after 1990. So, before venturing into the other aspects of rural marketing let us discuss the development of this area in different parts which is briefly explained here.

Part I (Before 1960)

Rural marketing referred to selling of rural products in rural and urban areas and agricultural inputs in rural markets. It was treated as synonymous to „agricultural marketing“. Agricultural produces like food grains and industrial inputs like cotton, oil seeds, sugarcane etc. occupied the central place of discussion during this period. The supply-chain activities of firms supplying agricultural inputs and of artisans in rural areas received secondary attention. The local marketing of products like bamboo baskets, ropes, window and door frames, and small agricultural tools like ploughs by sellers like black smiths, carpenters, cobblers, and pot makers were emphasized in general. This was totally an unorganized market where all *baniyas* and *mahajans* (local business people) dominated this market.

Part II (1960 to 1990)

In this era, green revolution resulted from scientific farming and transferred many of the poor villages into prosperous business centers. As a result, the demand for agricultural inputs went up especially in terms of wheat and paddies. Better irrigation facilities, soil testing, use of high yield variety seeds, fertilizers, pesticides and deployment of machinery like powder tillers, harvesters, threshers etc. changed the rural scenario. In this context, marketing of agricultural inputs took the importance. Two separate areas of activities had emerged- during this period „marketing of agricultural inputs“ and the conventional “Agricultural Marketing”. During this period, the marketing of rural products received considerable attention in the general marketing frame work. The formation of agencies like Khadi and Village Industries Commission, Girijan Cooperative Societies APCO Fabrics, IFFCO, KRIBHCO, etc., and also the special attention government had paid to Introduction of Rural Marketing 47 promote these products were responsible for this upsurge. Village industries flourished and products like handicrafts, handloom textiles, soaps, safety matches, crackers etc. hit the urban market on a large scale from rural areas.

Part III (After Mid 1990s)

The products which were not given attention so far during the two earlier phases were that of marketing of household consumables and durables to the rural markets due to obvious reasons. The economic conditions of the country were as such that the rural people were not in a position to buy these kinds of products. Secondly, our market was in a close shape and we never allowed companies (foreign) to operate in Indian market. But we lifted the ban and opened up economy, consequently companies started flourishing in India. The small villages/hamlets were widely scattered making reach difficult and expensive consequently. Rural markets were seen an adjunct to urban market and conveniently ignored. However, since 1990s, India’s industrial sector had gained in strength and maturity. Its contribution to GNP increased substantially. A new service sector had emerged signifying the transformation of agricultural society into industrial society. Meanwhile, due to the development programmes of the central and state governments, service organizations and socially responsible business groups like Mafatlal, Tatas, Birlas, Goenkas and others, the rural area witnessed an all round socio-economic progress. The economic reforms further accelerated the process by introducing competition in the markets. Steadily, the rural market has grown for household consumables and durables. Rural marketing represented the emergent distinct activity of attracting and serving rural markets to fulfill the needs and wants of persons, households and occupations of rural people. As a result of the above analysis, we are in a position to define rural marketing “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 and thereby achieves the goals of the organization”.

Top 10 categories where Rural sales have contributed the most to growth			
Value Sales Growth % vs Year Ago, MAT March 2011			
Category	Rural Contribution to Category Sales- FY 2010-11	Value Sales Growth % vs Year Ago, FY 2010-11	
		UR Growth%	Rural
Biscuits	41%	23.9%	24.9%
Refined Edible Oils	18%	27.6%	41.1%
Salty Snacks	23%	42.0%	58.3%
Non-Refined Oils	30%	27.1%	36.5%
Toilet Soaps	43%	11.4%	10.5%
Washing Powders	46%	10.6%	10.4%
Packaged Tea	44%	14.4%	10.9%
Iodised Salt	59%	16.0%	19.6%
Hair Oils	37%	19.4%	21.7%
Shampoo	35%	20.8%	23.3%



SIGNIFICANCE OF THE RURAL MARKETS

If you meet a sales executive today and ask which market he would prefer to serve, the immediate answer would be, "Rural Markets" as they are still unexploited. A number of factors have been recognized as responsible for the rural market boom. Some of them are:

1. Increase in population, and hence increase in demand. The rural population in 1971 was 43.80 crores, which increased to 50.20 crores in 1981, 60.21 crores in 1991 and 66.0 crores in 2001.
2. A marked increase in the rural income due to agrarian prosperity.
3. Large inflow of investment for rural development programmes from government and other sources.
4. Increased contact of rural people with their urban counterparts due to development of transport and a wide communication network.
5. Increase in literacy and educational level among rural folks, and the resultant inclination to lead sophisticated lives.
6. Inflow of foreign remittances and foreign made goods in rural areas.
7. Changes in the land tenure system causing a structural change in the ownership pattern and consequent changes in the buying behaviour. The general rise in the level of prosperity appears to have resulted in two dominant shifts in the rural consuming system. One is conspicuous consumption of consumer durables by almost all segments of rural consumers, and the obvious preference for branded goods as compared to non-branded goods of rural.

EXPECTED ENTRANTS IN RURAL MARKETING



Uninor eyes on rural and semi-urban market to penetrate its presence and mark its brand over there. Uninor is in full swing to capture a niche in rural telecom market and targets to cover remote areas of UP East as well. Uninor is oriented to tap the potential in rural UP, as low-cost cellular services are affordable it plans to capture market through more innovations.



ITC e-Choupal, in association with Delhi based rural marketing agency Impact Communications, will launch Choupal Mahotsav, a rural marketing initiative, in Uttar Pradesh. For the record, launched in June 2000, ITC's e-Choupal offers a wide spectrum of services including access to real time

information on prices of farm commodities, weather forecast and best practices in farming.



Cement majors — UltraTech, HeidelbergCement, ACC, Ambuja — and mid-level players, such as Shree Cement, Binani, have aggressive plans as they focus on the relatively untapped rural market to be the next growth driver. Shree Cement, the largest cement maker of North India, has chalked out an expansive plan for marketing in the villages of Rajasthan, Haryana, Punjab, Chattisgarh, Madhya Pradesh and Gujarat.



Ranbaxy Laboratories will hire nearly 1,500 marketing executives, expanding its sales team by at least 50%, to spur sales and regain its rank as India's top drug maker. "Ranbaxy is looking at new rural markets and deeper penetration in interior markets," said one person who is involved in the hiring. The company plans to hire mostly medical representatives, regional managers and area managers by July to boost sales in the rural markets.



With an eye on the rural market, domestic handset maker **Zen Mobile** will launch about 15 handsets in the below Rs 2,000 range to increase its market share. "A huge number of telecom subscribers are coming from the rural market and that is the market that we are aiming at capturing. We believe that the sub-Rs 2,000 price tag along with good features would be a growth driver for us in these areas," Zen Mobile Managing Director Mr Deepesh Gupta said.

KEY OPPORTUNITIES FOR INDIAN FMCG SECTOR

Major opportunities for Indian FMCG Sector are mentioned below

Dairy Based Products

India is the largest milk producer in the world, yet only around 15 per cent of the milk is processed. The organized liquid milk business is in its infancy and also has large long-term growth potential. Even investment opportunities exist in value-added products like desserts, puddings etc.

Packaged Food

Only about 10-12 per cent of output is processed and consumed in packaged form, thus highlighting the huge potential for expansion of this industry.

Oral Care

The oral care industry, especially toothpastes, remains under penetrated in India with penetration rates around 50 per cent. With rise in per capita incomes and awareness of oral hygiene, the growth potential is huge. Lower price and smaller packs are also likely to drive potential up trading.

Beverages

Indian tea market is dominated by unorganized players. More than 50% of the market share is capture by unorganized players highlighting high potential for organized players.

Insurance

Insurance sector has one of the biggest potential in the upcoming scenario and the fact lies in the statement that only eight to 10 per cent of the rural households are covered by life insurance.

Telecommunication

Telecom sector is one of the booming sectors of the economy.

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. Distribution costs and non-availability of retail outlets are major problems faced by

the marketers. 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.* The main problems in rural marketing are: -

- a. Understanding the Rural Consumer
- b. Poor Infrastructure
- c. Physical Distribution
- d. Channel Management
- e. Promotion and Marketing Communication

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. A radical change in attitudes of marketers towards the cheerful and budding rural markets is called for, so they can successfully impress on the 750 million rural consumers spread over approximately six hundred thousand villages in rural India.

Indian rural market is undoubtedly complex but there are some simple truths that we need to accept. The rural consumers are very value-conscious. They may or may not have purchasing power, but they can make a difference to the company's growth if concentrated. Gone were the days when a rural consumer had to go to a nearby town or city to buy a branded product. The growing power of the rural consumer is an opportunity for the companies to flock to the rural markets. Gandhiji believed that **India's future lay in her villages** and rural markets will have a significant part in India's economy. With the technological innovations, infrastructure development and enrichment of human capital in rural areas, backed by policy support by the government recognizes agriculture as one of powerful growth engine.

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