



## INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

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**INDIAN RURAL MARKETING: A NEW PATH TO PROFIT**

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**ABSTRACT**

'Go Rural Win Rural' is the new mantra of corporate world. Most of the national as well as international corporations are attracting towards Indian rural market because its potential is still untapped. According to Indian census 2001, approximately 73 percent population is living in rural India. It means in rural areas, there are more market opportunities for the sale of products and services. According to McKinsey report (2007) in 20 years the rural Indian market will be larger than the countries such as Canada and South Korea. The estimated size of the rural market will be USD 577 billion. The main objective of present paper is to analyse the features, opportunities, strategies and challenges of Indian rural marketing. It also includes some recommendations as to formulate better marketing programmes.

**KEYWORDS**

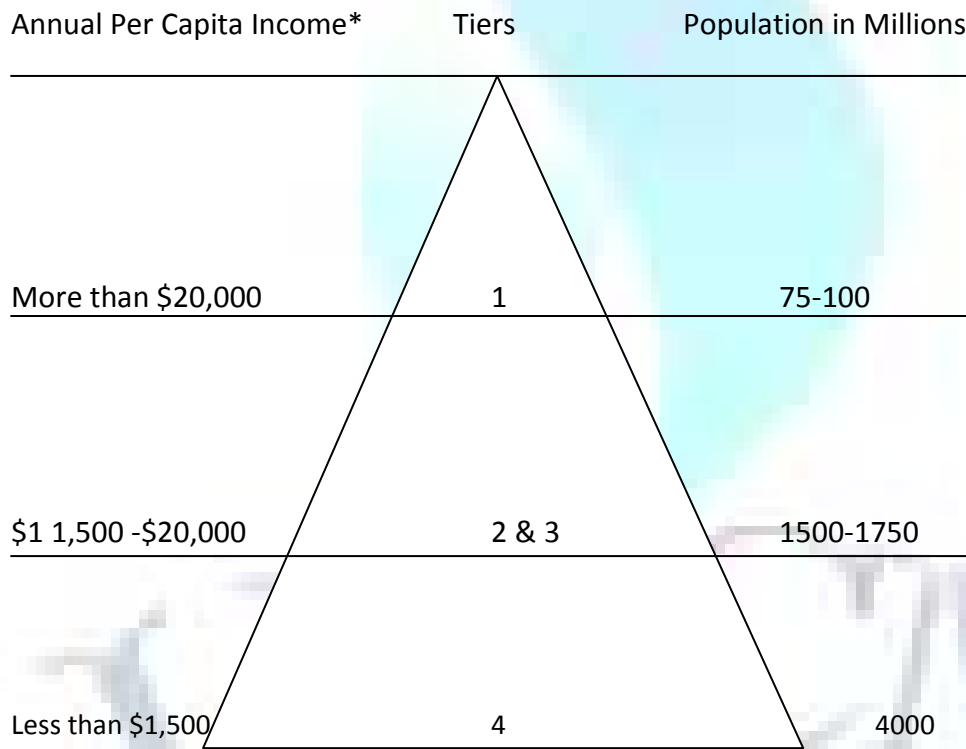
Corporate World, Rural India, Rural Market, Opportunities Strategies.

**INTRODUCTION**

Most corporate marketers believe that rural audiences are not very different. They are looking for one homogenous mass, which is easy to tackle and suits their points of view. But every rural region is different and the sensibilities of rural consumers need to be kept in mind", Pradeep Kashyap, founder of MART, a leading Rural Marketing and Research Agency.

In global economy, most of the global corporations are investing in Indian and Chinese economies. Global corporations have targeted the prosperous and sophisticated consumers in these economies. The marketing to rural consumer is a low profitability prospect because of low purchase of power and difficulties in communication and physical distribution etc. for marketers. But Professors C.K. Prahalad and Stuart Hart keep different view in their book 'The Fortune at the Bottom of the Pyramid'. They classify the world economic pyramid into four tiers

**FIGURE – 1: THE WORLD ECONOMIC PYRAMID**



Based on PPP in USD\*

Source: U.N World Development Reports

**MEANING OF RURAL MARKETING**

The rural marketing is the marketing strategies which are used by different companies for the promotion of its products. Rural marketing is more price sensitive but it has preference for quality. Rural marketing broadly is used to identify the rural customers, understand the customer, satisfy the customer and keep the customer to lead more sales of goods and services. During the first phase, pre-1960s rural marketing was identical with agricultural marketing. From 1960s to 1990s, the marketing of agriculture input and marketing of non-farm rural product was considered as rural marketing. Post 1990s due to rise in income various companies focused on tapping rural market potential. Now rural marketing refers to FMGC and consumer durable goods in rural area. Indian rural marketing can be classified into different categories:-

- ❖ **Urban to Rural:** It refers to the selling of products and services by urban marketers in rural areas. These include: Pesticides, Tractors, FMCG Products, Consumer durables etc.
- ❖ **Rural to Urban:** It involves a rural producer (involved in agriculture) sells his products such as fruits, vegetables, grains, pulses, spices etc. in urban market through middlemen, agencies, government co-operatives.



❖ **Rural to Rural:** These include the selling of agricultural tools, cattle and carts by villagers in its proximity.

Both urban and rural sectors are interdependent of on each other for their growth and prosperity. But the marketing strategies which are adopted for rural market must be differing from urban market. The main causes to adopt different strategies for both sectors as following -

- The main cause is that the standard of living differs between rural and urban markets. In an urban market customers are more aware, standard of living are higher and customer are more demanding. On the other hand customers are less aware in rural market, standards of living are poor and customers are less demanding.
- In rural market customers is more prices sensitive which means pricing factors have a strong impact on the buying choice of consumer in the rural market, but urban customers are less price sensitive.
- Brand awareness and brand recognition is low in rural market as compare to urban market.
- Variety, choices and options are lower in rural markets as compare to urban markets ([www.blurtit.com](http://www.blurtit.com); [www.wikianswers.com](http://www.wikianswers.com); [www.csi-sigegov.org](http://www.csi-sigegov.org)).

## INDIAN RURAL MARKET

The growth of any economy largely depends upon the growth of the rural population. Mahatma Gandhi, the Father of the Nation had once said, 'India's way is not Europe, India is not Calcutta and Bombay, India lives in her several hundred of villages'. The Mckinsey Report (2007) makes above statement true because according to this report, "In 20 years the rural Indian market will be larger than the total consumer markets in countries such as South Korea today and almost four times of the size of today's urban India market. It is estimated that the size of rural market will be USD 577 billion"

TABLE – 1: RURAL POPULATION STATISTICS (IN PERCENTAGE)

Year	Rural Population
1901	89
1951	83
1971	80
1981	79
1991	74
2001	73

Source: Census 2001

Table 1 shows that in 1901 rural population was 89 percent whereas in 2001 rural population is 73 percent. It indicates that the rural population is decreasing. But even now the majority of Indian population ie 73 percent is living in 6.36 lakh villages as per 2001 census. The rural economy contributes nearly half of the country's GDP, which is generating from agriculture sector. Approximately 54 percent population is engaged agriculture sector. Agriculture sector contributes about 13.1 percent of the total Indian exports which includes the export of primary products such as fruits, vegetables, tobaccos, spices, tea and coffee etc ([www.plashah.com](http://www.plashah.com); [www.csi-sigegov.org](http://www.csi-sigegov.org)).

TABLE – 2: STATISTICS RELATED TO NUMBER OF VILLAGES

Population	Number of Villages	Percentage of Total Villages
Less than 200	114267	17.9
200-499	155123	24.3
500-999	159400	25
1000-1999	125758	19.7
2000-4999	69135	10.8
5000-9999	11618	1.8
10000-Above	3064	0.5
<b>Total</b>	<b>636365</b>	<b>100</b>

Source: [www.210.212.230.219/dde/downloads/markiv\\_rm](http://www.210.212.230.219/dde/downloads/markiv_rm)

Census of India defines rural as any habitation with a population density less than 400 per sq. km., whereas at least 75 percent of the male working population is engaged in agriculture. Table 2 reveals that only 0.5 percent (ie 3064) villages have population 10,000 and above, whereas 25 percent (ie 159400) villages have population from 500 to 999.

## MAIN FEATURES OF INDIAN RURAL MARKET

- **Large and Scattered Market** – This market is large and scattered in the sense that it consists of over 73 percent consumers from 6.36 lakhs villages.
- **Major Income from Agriculture Sector** – In Rural sector the main source of income is agriculture. Thus, the growth of rural sector depends upon the growth of agriculture.
- **Lack of Employment Opportunities** – Maximum people in rural area is engaged with agriculture sector and hence, there is problem of disguised unemployment and seasonal unemployment. There is also less growth of industrial sector.
- **Socio Economic Backwardness** – Rural consumers have diverse socio-economic backwardness.
- **Low Standard of Living** – The standard of living of consumer is low because of low income, low savings and social backwardness.
- **Conservative Outlook** – Most of the consumer in the rural area are of conservative nature. They do not want to change their old customs and traditions.
- **High Illiteracy** - Maximum people of rural area are illiterate because of lack of education facilities in these areas.
- **Lack of Financial Facilities** – Financial facilities are not adequate as per requirement of rural areas.
- **Lack of Infrastructure Facilities** – Like financial facilities, infrastructure facilities such as roads, warehouses, communication facilities are also inadequate.
- **Initiatives by Government**–Various schemes and grants have been implemented by government to improve the conditions of rural people. It means the resource of rural market is yet not to be exploited. To explore this market various rural development programs been initiated to increase the employment opportunities ([www.blogs.siliconindia.com](http://www.blogs.siliconindia.com); [www.210.212.230.219/dde/downloads/markiv\\_rm.pdf](http://www.210.212.230.219/dde/downloads/markiv_rm.pdf)).

## FACTORS RESPONSIBLE FOR THE GROWTH OF RURAL MARKET WITH EMPIRICAL FACTS

India has perhaps the largest 'Potential Rural Market'. Following factors with their empirical evidence have been identified in the growth and development of the rural market-

- Revolution in agricultural sector has increased the income of rural people. According to one empirical study, there are 482 crorepaties in rural Haryana, only 137 Bangalore and similar number in Kolkata or Hyderabad.
- The changing in consumption patterns and higher disposable income the rural consumptions market is expected to expand three fold from the current level of USD 190 billion to USD 600 billion by 2020.
- According to National Council Applied Economic Research (NCAER), Indian rural market has 47000 haats (congregation markets) as compare to 35000 supermarkets in US.
- According to National Council for Applied Economic Research, in rural area there are almost twice low middle income households as compare urban areas.

- As per NCAER estimations, the number of middle high income households in rural India is expected to grow from 80 million to 111 million by 2007. Whereas in urban it is expected to increase from rural 46 million to 59 million. Hence, the absolute size of rural India is expected to be double that of urban India.
- Increase in population has increased the number of customers in rural area for the corporate world. According NCAER rural markets are growing at five times more than urban markets.
- According to Mr. D Shiva Kumar (Business Head) Hindustan Lever Limited, money spend on FMCG (Fast Moving Consumer Goods) product by urban people Rs. 49,500 crores as against Rs.63,500 crores by rural people.
- According to NCAER the demand for FMCG products is increasing in rural market. The demand for Shampoos has increased 33 percent, Toilet Soaps has increased 55 percent, Washing Cakes has increased 76 percent and Washing Powder has increased 55 percent in 2009-10.
- According to Edelweiss Research the growth of Scooters, Motorcycles and Cars/Jeeps in rural market has increased 40 percent, 48 percent and 11 percent in 2009-10.
- Demonstration effect of urban as well as foreign people, on rural people has increased their standard of living. Now rural people are leading sophisticated lives because of increase in literacy and educational level among rural folks.
- Information Communication Technology (ICT) and transportation facilities have increased the contract of rural people worldwide.
- Large inflow of money from government and other sources for rural development programmes. Approximately 72 million Kissan Credit Cards (KCC) issued, resulting more liquidity.
- Inflow of foreign currency and foreign goods in rural areas.
- Impact of globalization recession. The rural consumer demand grew 25 percent in 2008, when urban consumer demand slowed due to global recession. It means rural economy had not been influenced by the global recession ([www.ibef.org](http://www.ibef.org); [www.accenture.com](http://www.accenture.com); [www.eventfaqs.com](http://www.eventfaqs.com); [www.competitonmaster.com](http://www.competitonmaster.com); [www.EzineArticles.com](http://www.EzineArticles.com); [www.world-agriculture.com](http://www.world-agriculture.com); [www.conf.pcte.edu.in](http://www.conf.pcte.edu.in); [www.business.mapsofindia.com](http://www.business.mapsofindia.com)).

### GOING RURAL: THE NEW MANTRA

Going Rural is the new marketing mantra of all well known national and international companies because they know that 73 percent of Indian population is living in villages. Hence, these companies are increasing their market size by producing goods and services as per requirement of rural customer in rural markets. These companies are helping the rural people to improve their standard of living by providing goods and services but with the aim of increasing their businesses in rural areas and trying to get fortune at the bottom of pyramid market.

- A recent study conducted by Global Information and Measurement Company Nielsen has revealed that over 80 percent of FMCG categories are growing faster in rural areas as compare to urban areas. According to an estimation of a leading industry, the market size of FMCG will expand from current USD 19.08 billion to USD 23.08 billion in 2012.
- Various automobile companies are also tapping the Indian rural market – For example, India's largest Car market, Maruti Suzuki India, is devising marketing policies to attract first time buyer from the rural area.
- World's largest motor cycle maker ie, Japan Honda Motor is pushing its small capacity 100-CC economy bike in Indian rural market.
- According to a study conducted by Internet and Mobile Association of India and IMRB international, total number of active internet users is projected to rise from 12.1 million in Dec. 2010 to 24 million by Dec. 2011 in rural areas. The study further reveals that 69 percent of the rural India is aware of internet.
- Hindustan Unilever has initiated a project as 'Gateway to Rural: Beyond FMGC'. The company is in discussion with banks, financial services and telecom services to create a joint distribution model to cover India's 6.38 lakh villages.
- The world's largest bicycle maker Hero Cycles has started talks with insurance companies to provide health facilities to its rural customers.
- State-run SAIL will appoint more than 1000 dealers in rural India by March 2012. The main aim is to diffuse company's branded products in rural areas.
- DCM Shriram Consolidated Limited (DSCL), which operates 270 stores of Hariyali Kissan Bazaar, which is one of the largest national rural retail chains of India, plans to open 20 more outlets by the end of 2011.
- Also the World Bank has agreed to provide USD one billion credit to rural areas under newly launched 'National Rural Livelihoods Mission' (NRLM).

About 12 percent of world population household's lives in rural India. Hence, various industrial players from various sectors are ready to provide its goods and services to rural households. According to Private Equity Major Blackstone Group's Akhil Gupta, an Indian rural market provides overabundance of opportunities to the corporate world ([www.ibef.org](http://www.ibef.org); [www.accenture.com](http://www.accenture.com); [www.eventfaqs.com](http://www.eventfaqs.com); [www.competitonmaster.com](http://www.competitonmaster.com); [www.EzineArticles.com](http://www.EzineArticles.com); [www.world-agriculture.com](http://www.world-agriculture.com); [www.conf.pcte.edu.in](http://www.conf.pcte.edu.in); [www.business.mapsofindia.com](http://www.business.mapsofindia.com)).

### STRATEGIES FOR RURAL MARKETING

As earlier it has been discussed that rural customers need, lifestyle, source of income and thinking is differ from there urban customer. Hence, for both kinds of customers, the companies must adopt different marketing strategies. For rural market, it will be ideal to think of strategies from the marketing mix point of view. Main strategies are related to product, price, place and promotion which as following –

(A) **Product Strategies** – It includes the different strategies regarding products-

- **Small Units and Low Price Packing** – As the rural population does not have the concept of storing goods, hence rural marketers have to provide products in small quantities with low price packing. In rural areas, packing of a product plays an important role due to high illiteracy. Rural customer simply refers Nirma as Pila powder and Surf as the Nila powder. Small units of a product with low price such as Cock ie, 200 ml. bottles worth Rs. 5, Chick shampoo sachets, Vicks five gram tins etc have been successful in past. It proves that rural India is still highly price sensitive market place.
- **Designing of New Products** – The manufactures must design the new product, keeping in the view the customer lifestyle and the need of the rural people. A close rural marketing observation shows that rural household items indicate the need for redesigning or modifying the products.
- **Sturdy Product** - Sturdiness of a product is an important fact of rural customers. The product which is meant for rural customers must be study enough to stand rough handling and storage.
- **Brand Name** – A brand name and logo is very essential for rural customers because most of rural customers are illiterate. Hence, companies must give shorter name of their product in the local language and educate the customer about the importance of their brands. Pictures and endorsement of local stars will also help in increasing brand awareness. Rural customer is hardly brand stickiness.

(B) **Pricing Strategies** – Pricing strategy is much closed to product strategy. A rural customer is very price sensitive. This is mainly because of his lower income as compare to urban customer. Some of pricing strategies are as following-

- **Low Cost/Cheap Products** - As the rural customer is more price sensitive, hence price can be lowered by small unit packing.
- **Avoid Sophisticated Packing** – The marketers must adopt the simple packing, which can reduce the price of the product. Biscuits are its one of the example.
- **Reusable Packing** – The packing of a product is not only simple but also reusable in rural area. Now fertilizers companies have started packing fertilizers in LDPE or HDPE sacks, which are tamper proof as well as reusable.
- **Application of Value Engineering** – By applying the strategy of value engineering, price of product can be kept at an affordable level because income in rural areas is not high. By adopting value engineering technique costly raw material can be substitute with the cheaper one, without scarifying the quality of the product. For example in food industry soya protein is being used in place of milk protein. Milk protein is expensive as compare to soya protein but



the nutrition value is same. Likewise urban and rural customers both want to purchase a car, but rural customer wants to purchase cheap car as compare to urban customer. He wants car at USD 3000 but not to spend USD 12000 on car. As we know that Nano is the cheapest car, he will prefer to go for Nano.

**(C) Distribution or Placement Strategies** - Distribution strategies which are formulated for rural areas must be according to their marketing needs. Distribution strategies are designed by co-operative societies, public distribution system, agriculture input dealers, multi-purpose distribution centers, etc. To regulate and to improve the rural markets, cooperative have played significant role. To tap unexplored rural market, LG has set up 45 areas offices and 59 rural remote area offices. Likewise Hariyali Bazaar, Haats etc retail outlets have been established in the villages.

**(D) Promotion Strategies** - Now a days mass media is powerful medium of communication and promotion of a product. There are various means of communications such as television, cinema, print media, radio, wall painting, hoardings, campaigning, booklets, posters, stickers, banners etc. Promotion aspect is challengeable in rural areas because villages have thin population density and are widely scatter over large remote areas and poor media penetration. In rural areas traditional methods such as hoardings, wall-paints, street plays and musicals, horse-cart, pamphlets distribution are effective means of promoting the products ([www.skire.com](http://www.skire.com); [www.210.212.230.219/dde/downloads/markiv\\_rm](http://www.210.212.230.219/dde/downloads/markiv_rm); [www.world-agriculture.com](http://www.world-agriculture.com)).

## SHIFTING FROM 4P'S STRATEGIES TO 4A'S STRATEGIES

Now days companies are adopting the mix of 4A's strategy that affordability, awareness, availability and acceptability in place of 4P's strategy ie product, price, place (distribution) and promotion. Actually 4P's are the more challengeable for the marketers in the rural market -

**(A) Availability** - The first challenge is to ensure availability of the product or service. It means that product/services must be available to 636,000 villages, which is not an easy task. It is an even greater challenge to reach of products to the far flung areas continuously. Hence, marketers must plan to reach their products and services in these areas on regular basis. India's largest MNC Hindustan Lever, has built a strong distribution system help to reach its product in rural market.

**(B) Affordability** - The second challenge is to ensure affordability of the product or service. As we know that the disposable income of rural customer is low because their average per capita income is less than \$ 2 per day. To afford the products to the rural customer, various companies are introducing these products in small packets at low prices. For example various shampoos, toothpaste and creams are available in smaller packs. To target rural market Hindustan Lever is selling Lifeboy at Rs. 2 for 50 gm. Coca-Cola has also introduced the returnable 200-ml glass bottle priced at Rs.5 and result is that near about eighty percent of new drinkers for coke now come from the rural markets.

**(C) Acceptability** - The third challenge is to gain acceptability for the product or service. The product must be redesigned or modified as per need of rural customer, so that he can easily accept the available product. For example - Coca-Cola provides ice boxes at low cost - a tin box for new outlets and thermocol box for seasonal outlets, because in these areas regular electricity and refrigerator is not available.

**(D) Awareness** - The last challenge is too aware the rural customer regarding the product, the marketer must use local promotional channels. For example Coca-Cola uses a combination of TV, cinema and radio to reach 53.3 percent rural households. It spends more advertising on Doordarshan which alone reached 41 percent of rural household. Likewise LG electronics developed a customized TV for rural market. Near about 100,000 sets were sold in the first year.

Hence, to tap the potential of rural market, today companies are formulating that marketing strategies per need of - acceptability, availability, affordability and awareness of rural customers which is highly challengeable for them. ([www.b1dcity.com/index](http://www.b1dcity.com/index); [www.iilm.edu.in](http://www.iilm.edu.in); [www.scribd.com](http://www.scribd.com); [www.210.212.230.219/dde/downloads/markiv\\_rm.pdf](http://www.210.212.230.219/dde/downloads/markiv_rm.pdf); [www.knowledge.wharton.upenn.edu](http://www.knowledge.wharton.upenn.edu); <http://blogs.rediff.com/shinyvikas>; [www.thehindubusinessline.com](http://www.thehindubusinessline.com))

## CHALLENGES IN RURAL MARKETING

Various marketers are entering in rural markets to reap benefits. But they encounter a number of challenges dealing which are as following -

- **Low Literacy Levels** - In rural areas literacy level is low, which leads to the problem of communication between local people and companies. Print media is less important in rural areas because of illiteracy.
- **Standard of Living** - A majority of rural people are below poverty line. Hence, companies have to develop separate market strategies from urban markets.
- **Irregular Demand** - Agriculture sector is the main source of income of rural people but agriculture is a seasonal occupation. Hence income of rural people is also irregular. Due irregular and low income, their demand for product is also irregular.
- **Dispersed Markets** - Rural population is highly dispersed. Hence, it required a lot of marketing efforts in terms of distribution and communication.
- **Traditional Life** - Life in rural areas is still governed by traditional customs and values. Rural people are not ready to accept new life styles.
- **Lack of Communication Systems** - Communication systems such as telephone, fax and telegram are rather poor in rural areas.
- **Bogus Brand** - A lot of bogus brands are available at low price in the rural markets. Due to illiteracy rural customers are not aware of difference between actual brand and bogus brands
- **Lack of Effective Transportation** - In India only villages are connected by roads. Maximum roads in these areas are 'kacha', which become unserviceable during the monsoon. Most of the marketers use tractors, bullock carts to distribute their products in rural areas.
- **Ineffective Distribution Channels** - In rural areas there is lack of effective distribution channels because of ineffective distribution channels. Dealers are not easily available for rural areas. Other problems in lack of warehouse or storage facility. In these areas there is hardly any organized warehousing agency to look after the storage issue.
- **Various Languages and Diversity in Culture** - Due to diversity in languages and culture, it is very difficult to handle the rural customers.

To overcome these challenges companies have to develop their market strategies according to the need, psychology and environment (geographical, economical, and cultural) of the rural people ([www.EzineArticles.com](http://www.EzineArticles.com); [www.b1dcity.com](http://www.b1dcity.com)).

## RECOMMENDATIONS AND CONCLUSION

As we know that the poor of today are the middle-class tomorrow. Because of profits of companies are depending on the growth and betterment of the poor people. Hence, multinational as well as national companies must have to work with civil society organizations and local governments to uplift the rural people. Some recommendations are as following:

- Companies have to develop new products which can fulfill the unique needs of rural people. Rural consumers define the value of a product in terms of its durability, affordability and multiple uses.
- The companies have to realize the importance of proper communication in local language for promoting their products.
- Cultural values play major role in deciding what to buy in rural marketing. Moreover, rural people are emotional and sensitive. Hence companies have to understand the cultural and social values of the rural people.
- Generate awareness regarding product by using non-conventional and interactive medias such as puppets shows and live demonstrations in haats because most of rural people are illiterate, hence print media is useless.
- Many companies must have to develop rural-specific products keeping in view their requirements.
- Companies it selves make investment in transportation, warehousing, infrastructure to get long term benefits.
- Companies have to replace middleman to overcome the cost and reduce administrative problems. For example ITC forged direct links with produces by its e-choupal network.
- Companies must be rural sources to fill talent needs. Rural youth are unskilled and have little or no familiarly with computer with English language. Hence, companies must train them in computer and in English language. It will reduce the illiteracy in rural areas.
- To do the effective distribution of products, companies must use 'Haats' in their distribution strategy in rural marketing.

- Companies and government both have to create employment opportunities for rural people to increase their purchasing power. It will give rapid growth to the companies because rural people ultimately spend their income to purchase products and services which are produced by them.
- Government has to take more active participation to bring reforms in respect to uplift their life, increase education and employment opportunities, develop infrastructure etc in rural areas.

Global growth and investment come from rural areas and rural people world over. As there have been significant improvements in the rural sector in respect of agricultural production, spread of education, electrification, banking facilities, transportation, communication, etc. All these changes have led to the creation of general awareness for achieving a new and better style of living. Thus, the future in rural marketing is very promising for those marketers who can understand the dynamics rural market and explore it ([www.it.iitb.ac.in](http://www.it.iitb.ac.in); [www.accenture.com](http://www.accenture.com); <http://en.wikipedia.org>). It also

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