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RURAL MARKETING IN INDIA

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ABSTRACT

Recently, the growth of the Indian economy after starting of liberalization and globalization policy in 1991 has been substantial increase the purchasing power of the rural habitants. Since Green revolution in India, the rural areas are started to use a large quantity of consumable and non-consumable products. In this way, rural marketing has been used as a strategy to combat against the competition by the marketers. The rural marketing and agricultural marketing prior to globalization of Indian economy convey the same meaning, but after wards both understand by the markets in different context—the later denotes agricultural and rural production for the urban consumer or industrial consumer, whereas rural marketing involves marketing of manufactured or processed inputs to rural consumers. These have changed the entire spectrum of marketing for the Indian rural market and force the marketers to move towards rural areas. Rural marketing in India is still at infancy stages, and faces the various types of problems in respect of marketing, product designing and positioning, pricing, distribution and promotion. Today's corporation must understand the rural market on different context to widen their business horizon, to expand their market and to exploiting the opportunities available in the rural areas. The Indian rural market is bigger and vast in size with its larger consumer base, its offers the great opportunities for the marketer and stay in tune with the rural marketing offerings. Rural marketing consists of around 833 million potential consumers, and majority of the Indian middle-class, and about half the country's disposable income. The marketer must understand the growing complexities of the rural market and making strategy for the proper mixing of marketing mix. It involves high risk and attractive for those who are searching challenge and having a courage to face those challenges. The key to face the challenges is to understand the market, the consumer need and behavior.

KEYWORDS

India rural market, rural marketing, rural population, attractiveness.

INTRODUCTION

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.

In a diverse market like India, Out of the total of 1210.2 million populations in India, the size of rural populations is 833.1 million which constituted 68.84% of total populations as census survey of 2011, the urban-rural divide is quite significant. During 2001-2011 the rural population increased by 90.4 million, and the number of villages increased by 2,279 in between 2001-2011. The majority of world's rural population lives in rural India. According to the 2011 census, 68.84 per cent of the population are scattered in 6, 41, 00 villages in India. the size of rural market itself speaks of its potential. The current marketing environment and economic scenario have brought the corporate under contemporary roofs of modern India, which is challenging the current standards of segmenting, targeting and reaching the customers. Realistically, India as a nation has come a long way from the place where only urban population which constitutes 20 per cent of customer base for companies are responsible for 80 per cent of their profits. The companies are looking for new opportunities and avenues, as they are witnessing a decline in their growth rates in urban markets due to market saturation and they do have a huge, untouched and untapped rural Indian market. The driving force for this is rural youth who are educated, have access to technology and have openness to change. Also rural markets have acquired significance, as the overall growth of economy has resulted into substantial increase in the purchasing power of the rural communities. A survey by India's premier economic research entity, National Council for Applied Economic Research (NCAER) indicates that rise in rural incomes is keeping pace with the rise in urban incomes. The rural middle class is growing at 12 per cent, close to the urban middle class which is growing at 13 per Cent. Punjab, Kerala, Haryana, Rajasthan, Gujarat, Andhra Pradesh and Maharashtra are considered highly prosperous states.

FEATURE OF RURAL MARKET

Large and scattered population: the rural population is scattered in over 6 lakhs villages. The rural population is highly scattered but holds a big promises for the marketers.

Higher purchasing power: purchasing power of the rural people is on rise. So marketers are expanding their operations in rural markets. In recent years, rural markets have acquire d 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: rural market growing continuously w.r.t. the Demand of bicycles, car, TV, washing machine and other FMCG product over the years.

Development of infrastructure: there is development of infrastructure facilities such as construction of and transportation, communication network rural electrification and public service project in rural areas.

Low standard of living: consumer in a village area has low standard of living because of low literacy level, low per capita income, social backwardness and low saving.

Traditional outlook: rural consumer values old customs and tradition. They do not prefer change gradually the rural population is changing their demand and there is demand for branded product in village.

Marketing mix: urban product cannot be dumped on rural market a separate product be design for rural consumers to suit the rural demand. Market mix should be adjusted according to the requirement of rural consumer.

OBJECTIVES

1. To understand the rural market.
2. To unleash the potential of rural market.
3. To analyze the various parameters of potential of rural market.

4. To examine the current rural marketing scenario.
5. To identify rural marketing opportunities.
6. To examine the challenges facing the marketers.
7. To suggest effective strategies for marketing in rural area.

LITERATURE REVIEW

There are many studies carried out in India in connection with rural marketing, which have revealed a major setback of temperamental attitude of underrating a potential source like rural marketing. These studies have thrown light on the rural marketing pros and cons, and its dimensions in various manners. There are many studies carried out in India in connection with rural marketing, which have Narayan Krishnamurthy (2000)(2009) researched out that by using the regional language, it becomes much easier to increase the penetration in rural areas. Rakesh Singh and Kapil Bhagat (2004-05) explained that the corporate and rural India have entered into collaborative partnership through vertical coordination. Vivek Parikh (2001) pointed out that most of the rural marketers underestimate the verbal power magic of words to enter into the rural market, and again (2008) he added some other dimensions necessary for marketers. Pradeep Kashayap and Siddhartha (2006) elaborated that various aspects of rural marketing like the rural customers, rural marketing research, rural products, pricing, distribution strategies, and the role of media and government initiation contributed in uplifting the rural demand and market. Tarun Narayan (2005), Hansa Yonga (2004, N. Janardhan Rao (2004, and Y. Krishan Mohan Reddy (2006); focussed on challenges faced by the marketers and opportunities available to them. These studies on related problems are useful or indicate the type of difficulties and possible analytical shortcomings and suggest new line of approach to present and study the problem in new context.

METHODOLOGY OF THE STUDY

The literature review indicated that there is insufficient theory and understanding of Indian Rural Marketing within the context of particular phenomena. A general research strategy needs to be explored by finding out opportunities and challenges faced by the marketers to enter into the rural market. Exploratory research gives valuable insight, generates ideas and valuable aspect in more explorative manner. Data have been obtained from the published reports, internet, libraries, journals /magazines, and reports of certain government agencies: Census of India National council of applied economic research National sample survey District statistical reports Panchayat office Central statistical organization Rural Marketing books/Journals/Magazines Reserve Bank of India Report Planning commission Annual/ Five- Year Plan Reports.

CHALLENGES OF RURAL MARKET IN INDIA

The rural market offers a vast untapped potential, it should be recognized that it is not easy to operate in the market, because of several attendant challenges. Rural market remains untapped because of mainly three challenges:-distance, diversity, and dispersion. As much as Rural India presents a great opportunity, there are still many challenges that have to be overcome. Dispersed population and trade, large number of intermediaries in the value chains leading to the higher costs, scarce bank and credit facilities for rural customers and retailers, highly credit driven market and low investment capacity of retailers are the other roadblocks. Thus, there are several roadblocks that 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 into the rural segments.

- 1) The large population base and number of households indicates a widely spread out market and it is a challenge for the marketer to service this dispersed market. The number of the villages is more than five lakhs and is not uniform in size. Nearly half of the population lives in middle sized villages, which have a population ranging from 1000 to 5000 persons. These types of distribution of population warrants appropriate distribution and promotion strategies to decide the extent of coverage of rural market.
- 2) The rural per capita income is low as compared to urban area. Low per capita income leads to low purchasing power. This apart, the distribution of income is highly skewed, since the landholding pattern, which is basic asset, is itself skewed. Thus, rural market presents a highly heterogeneous scene. Therefore, few challenges arise in this respect, like; off-taking of any product by rural consumer, maintaining of inventory levels, distribution system options, and frequency of distribution. This aspect should be carefully considered by the marketers.
- 3) There are lacks of proper physical communication facilities in rural areas. Nearly half of the villages in the country do not have all-weather roads. Therefore reaching these villages is very physically taxing. Hence, distribution efforts put up by the marketers prove to be expensive and ineffective.
- 4) The rural market, by and large, are characterized by underdeveloped people and consequently underdeveloped market. A vast majority of rural people is not financially stable and is tradition-bound, fatalistic, mired in age-old customs, traditions, habits, taboos, and practices. Unfortunately, the impact of agricultural technology has not been felt uniformly throughout the country. The large segments of rural population have remained untouched by technological breakthroughs.
- 5) There are vast variations in the levels of literacy amongst rural people. Around two-fifth of the rural population is illiterate and only one-fifth holds a matriculate or higher degree. Also, literacy levels vary hugely among different states. These variations pose a challenge to easy and clear comprehension of the message by all sets of rural audience. The limited reach of mass media in rural areas and its regional and state variations pose limitations on a universal approach to communication for rural consumers. Also different perceptions, traditions, and values across states and in some case within a state; are other obstacles in communication development.
- 6) The distribution of products continues to pose an immense challenge to marketers because reaching of 7.8 million retail outlets spread across 6,40,000 villages and feeding a retail network of villages shops is a distribution nightmare. The challenges for the suppliers is the small size of each villages with low throughout per outlet, coupled with the high cost of distribution since these villages are some distance away from distributors. These factors make high quality distribution unviable. The distribution of any product in the rural areas; agricultural inputs, consumables or durables, should necessarily follow a seasonable pattern. The demand pattern in the rural areas is seasonable. The distributions in the rural areas are frequent and not uniform throughout the year.

WHAT MAKES RURAL MARKETS ATTRACTIVE?

Rural market has following arrived and the following facts substantiate this.

- 742 million people
- Estimated annual size of the rural market
 - FMCG Rs. 65,000 Crores
 - Durables Rs. 5,000 Crores
 - Agri-inputs (incl. tractors) Rs. 45,000 Crores
 - 2 / 4 wheelers Rs. 8,000 Crores
- In 2001-02, LIC sold 55 % of its policies in rural India.
- Of two million BSNL mobile connections, 50% in small towns/villages.
- Of the six lakh villages, 5.22 lakh have a Village Public Telephone (VPT)
- 41 million Kisan Credit Cards issued (against 22 million credit-plus-debit cards in urban) with cumulative credit of Rs. 977 billion resulting in tremendous liquidity.
- Of 20 million Rediffmail signups, 60 % are from small towns. 50% transactions from these towns on Rediff online shopping site
- 42 million rural HHs availing banking services in comparison to 27 million urban HHs.

RURAL MARKET OPPORTUNITIES

The Indian growth story is now spreading itself to India's hinterland, not just witnessing an increase in its income but also in consumption and production. The economy is vibrant, income is rising, and the habits, tastes, preferences, and attitudes are changing rapidly. Nowhere these changes are evident in the rural areas. The rural market has grip of strong country's shops, which affect the sale of various products and services in the rural market. The companies are trying to trigger growth in rural areas. The low rate finance availability has also increased the affordability of purchasing the costly products by the rural people. Although with the substantial upgradation in purchasing power, increased brand consciousness pattern and rapid spread of communication network, rural India offers a plethora of opportunities, all waiting to be harnessed, the marketers lack of in-depth knowledge of the villages psyche, strong distribution channels and awareness that are indeed the fundamentals for making a dent into the rural markets. India's rural market offers a huge potential for the marketers and seems to be the replacement of urban market. The rural market is extremely attractive with its vast demand base and offers the following opportunities

The rural market is now acknowledge viable market that has captured the attention of marketers, it already accounts for 56% of India's total income, 64% of expenditure and 33% of savings. Infrastructure is also developing fast, leading to the better connectivity by road (67% villages are connected by all-weather roads), by phone (30% tele-density in rural areas), and access to mass media through television. Increased electrification of households (60%) has opened up the rural market for durables. All these factors have increased the purchasing power and the demand base for and access to new goods and brands, as seen over the past decade.

The future of the rural India looks brighter. Future predictions of income are very positive, suggesting that the present income will change as the proportion of the poor earning less than USD 1 per day drastically shrinks over the next decade to almost half. The majority of the rural population will be earning between USD1 to 5 per day, and the proportion with the incomes of over USD 5 per day will increase three-fold. Rural India is fastly moving from poverty to prosperity. The rural population earning more than USD 5 per day per capita income holds great promise for the marketers. Rural income constitutes around 56% shares of the total income in India. The per capita in rural India has increased from INR 4860 in 1994-95 to INR 15,173 in 2010. The middle class grew six fold in this decade and expected to grow from 32 million in 2005 to 208 million in 2025. Income growth per households is expected to accelerate from the current 2.8 percent to 3.6 percent by 2025.

Good monsoons and two-fold increase in the support price of food grains in the last decade have contributed to improving agriculture prosperity as well as to a INR 720 billion loan waiver, which benefitted 40 to 45 millions farmers. A major shift to cash crops will increase the income from agriculture.

The continuing increase in prosperity leads to increase in the demand of consumer and non-consumer goods in rural areas. An increasing labor force participation in non-farming activities has led to more income earning opportunities, and this trend is likely to grow in future, which further promote the marketers to enter into the rural market.

An increasing number of people have given up farming (declined from 63% to 50% during 2000-2010) on account of land fragmentation, declining profitability, and increasing nuclearization of families. India is no longer an agrarian economy. There is an increasing incidence of supplementary occupation-an occupation pursued either in addition of primary occupation, or on seasonal basis to augment income. Thirty percent of rural households have a supplementary occupation. Out of these, 56% have been stated as self-employment in agriculture as their supplementary occupation. Over the next decade, it is expected that the rural infrastructure will improve drastically, with approximately 100% road connectivity, electrified villages, literacy, television households, 80% pucca households and 50% mobile penetration.

The government has spent INR 480 billion in the year 2010-2011 Bharat Nirman Programmes, leading to rapid infrastructure development, and 53 percent increase from 2009-2010. The government has the target to create 10 million hectares of additional potential, to provide all-weather connectivity to all habitants with over a 1,000 population, to provide electricity to 1,25,000 villages and to construct six million houses in rural areas, and to connect telephonically all habitants.

The infrastructure development attracts the marketers in rural areas. The rural enterprises, especially non-farming has doubled 25 million between 1990-2025, absorbing an 20 million workforce largely in services like trading and transportation, and social services, which have emerged as rapidly grow in sectors in rural areas. Out of the total of 41.8 million enterprises in the country, 25.5 million (61%) are located in the rural areas. These are the driving force of demand base for the rural people.

Rural markets are also very viable targets for marketers as a young population; rising income and low penetration of many consumer durables imply that they are a strong source of demand. Moreover, the consumption pattern in rural areas is witnessing a shift from necessities to discretionary products. The survey has revealed that about one in every two rural households now has a mobile phone and around 42 per cent of rural households owned a television in 2009-10, up from 26 per cent in 2004-05. Internet and mobile revolution has given rural India a complete makeover. Rural areas offer a great potential for growth in internet usage with the number of claimed internet users in these spaces to be reached at 45 million by December 2012, according to the recent IMRB survey, conducted jointly with the Internet and Mobile.

CONCLUSION

Indian Rural markets are now dominating the urban market in terms of demand and potential. The rural population is nearly three times of the urban market. The rural society is also urbanizing gradually with the increase in literacy rates and exposure to global trends. It's showing interest in branded products and services. The consumption trend in rural areas has shown a paradigm shift from price-driven to quality-driven products. The winds of liberalization removed barriers and presently, many nationals and international manufacturers have made a foray into different markets. The rural market is becoming day-to-day attractive because of its size and growth of population and households despite the exodus by migration to urban areas. About 68.84% or 833 million people are living in rural areas, consisting over 40% of the Indian middle class, and about half the country's disposable income. Further, there has been a shift from an agricultural economy to manufacturing and service economy and this development has been resulted into increasing job opportunities, income and demand for goods and services in rural markets. The growing rural economy presents a wide range of opportunities to consumer and industrial markets. While rural markets offer big attractions to the marketers, it is not easy to enter into the rural market and take a sizeable share of the market within a short period. This is due to low literacy, low income, reasonable demand and problems with regard to the transportation, communication and distribution. Further, there are different groups based on religion, caste, education, income and age and there is a need to understand the rural markets in terms of buying behavior, attitudes, beliefs, and aspirations of people. The marketers have to understand these characteristics, and developing an appropriate marketing mix to meet these challenges. Rural markets, as part of any economy, have untapped potential. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India, as also in several other countries, like China, is still in evolving shape, and the sector poses a variety of challenges, including understanding the dynamics of the rural markets and strategies to supply and satisfy the rural consumers.

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