



## INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

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## THE INDIAN RURAL MARKET – AN UNTAMED TIGER

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### ABSTRACT

*In recent years, rural markets of India have acquired significance, as the overall growth of the Indian 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 India with its traditional perception has grown over the years, not only in terms of income, but also in terms of thinking. The rural markets are growing at above two time's faster pace than urban markets; not surprisingly, rural India accounts for more than 50% of the total national demand. Today, rural market occupies a larger part of our economy and it is expected to grow at least four times the existing size. Another contributing factor for rural push was growing saturation in urban markets.*

### KEY WORDS

Rural Market, Consumer, Competition, Saturation.

### INTRODUCTION

The Indian Rural Market has always been an area of darkness for the Indian entrepreneur's. It is a huge area and every organization knows about it but its sheer size and unstructured distinction making its detailing very difficult for any plan. Rural India, which in itself is an economy and presents an enormous potential market, accounting for 64% of country's total consumer base.

India is a country where 794.5 million of the total population of 1,100 million people which is almost 72% (according to the 2001 census) living in the villages. There are almost 593,731 inhabited villages in the country spread across its length and breadth. Different kinds of occupation in Indian villages reflect the base of their socio-economic culture. Since the ancient period, the Indian villagers have been involved in various activities which is still being followed of which agriculture has been the primary activity, whereas the secondary activities comprise of animal husbandry, fisheries and forestry, pottery, carpentry, etc. The country's per capita income has risen to less than \$810 or approximate Rs. 38000<sup>i</sup> as against the per capita of 2006-2007 of \$ 697<sup>ii</sup> or Rs 31605 approximately. The village people are poorer than the city folk with an monthly average income of Rs 2115<sup>iii</sup> or Rs 25380 p.a. If we talk about the contribution of agriculture to the GDP, it stands at around 17%<sup>iv</sup> as of in 2007-2008 from the entire amount of \$ 1.209<sup>v</sup> however this is the best part of because though the contribution in the year 2005-06 was on the higher side of around 19%<sup>4</sup> the share of agriculture in absolute terms from the GDP in 2008 which grew from \$1.09 trillion stood at a lower amount. This way though Agriculture's share of the GDP was lower but in relative terms there was an increase in the income of a farmer due to better cultivation techniques, better input material and proper pricing of products.

### IMPORTANCE OF RURAL MARKET

The first half of the twentieth century, the rural population was more into traditional approach of consumption where it was very difficult to change the mindsets as certain practices had been imbibed in the daily lifestyle of the people. For them the product their grandparents used was the only product they should use. But with the rapid change of time, rural India has now started to demand and adopt newer products due to increase in income and education. Earlier they used products like neem/ Indian Lilac or babul tree twich for oral care but today they have switched to better refined products like tooth powder or tooth paste. Children are asking for chocolate candies. Face cream have replaced basal (chickpea flour) as face cleansers.

Some data to highlight the prospects of Rural Market

Government Expectations and Steps being taken<sup>vi</sup>

The rural consumer market, which grew 25 per cent in 2008, is expected to reach US\$ 425 billion in 2010-11 with 720-790 million customers, according to a white paper prepared by CII-Technopak, in November 2009. The figures are expected to double the 2004-05 market size of US\$ 220 billion.

The number of rural households earning less than US\$760 a year is down from 65% to 24% since 1993, while those with an income of US\$1,525 have more than doubled from 22% to 46%.<sup>vii</sup>

The Union Budget for 2010-11 has hiked the allocation under the National Rural Employment Guarantee Act (NREGA) to US\$ 8.71 billion in 2010-11, giving a boost to the rural economy.

All villages to be broadband-enabled by 2012<sup>viii</sup>.

A study by the Chennai-based Francis Kanoi Marketing Planning Services says that the rural market for FMCG is worth \$14.4 billion, far ahead of the market for tractors and agri-inputs which is estimated at \$10 billion. Rural India also accounts for sales of \$1.7 billion for cars, scooters and bikes and over one billion dollars of durables. In total, that represents a market worth a whopping \$27 billion. It is no wonder that even MNCs have cottoned on to the idea of a resurgent rural India waiting to happen.<sup>ix</sup>

Urban v/s Rural demand

In shampoos, rural demand grew by 10.7 per cent in value terms, while in urban markets, it rose by 6.8 per cent.

Toothpaste sales grew by 9.1 per cent in rural India and by 4.4 per cent in urban markets.

Maruti Suzuki's share of rural sales has increased from 3.5 per cent to 17 per cent in the last three years.

Mahindra & Mahindra (M&M) is now selling more Scorpios in rural and semi-urban markets. Scorpio sales have increased from 35 per cent to 50 per cent in the last two years.

In 2005 Coke ventured into the hinterland. In 2009, Coke's rural growth of 37 per cent far outstrips its urban growth of 24 per cent.<sup>x</sup> Appreciating the size and business potential of the rural market, major companies including are ready with special strategy specifically targeting rural markets.<sup>xi</sup>

Several fast moving consumer goods (FMCG) companies such as Godrej Consumer Products, Dabur, Marico and Hindustan Unilever (HUL) have increased their hiring in rural India and small towns in order to establish a local connect and increase visibility.

Toyota Kirloskar Motor (TKM), in which Japan's Toyota Motor Corp holds an 89 per cent controlling stake, is planning at selling 40 per cent of its cars in rural markets in India.

Hero Honda, the two wheeler market leader, is planning to cover 1 lakh out of the six lakh villages by end of this financial year under a campaign called Har Gaon, Har Aangan (Every Village, every Household)<sup>xii</sup>. Yamaha is also planning a major initiative in rural India by launching more models in the affordable price range in 2010.

Tata Motors is also making efforts to sell its pick up truck Ace in rural markets. It has already opened 600 small outlets for the Ace in rural and semi-urban markets. It has also tied up with 117 public sector banks, gramin (rural) banks and co-operative banks to help small entrepreneurs buy the vehicle.

Castrol India is pushing its rural sales by building up a distribution infrastructure to reach out to all villages.

Direct selling firm Tupperware India, known for its storage containers plans to foray into the rural markets in the next two-three years.

Swiss FMCG giant, Nestle plans to make further inroads into the rural markets. The company has asked its sales team to deliver 6,000 new sales points every month in rural areas.

#### FACTORS THAT WORK IN FAVOR OF RURAL MARKET

##### VIRGIN MARKET

It offers a great chance for different branded goods as well as services for large number of customers. It is estimated by HLL that out of 5 lakh villages in India, only 1 lakh has been tapped so far, which goes on to indicate the market potentials of the rural market. Above all the rural household form about 72% of total household constituting a huge market for any product by any standard.

##### INCREASING INCOME

Different programs undertaken by the Government of India like passing of the act 'Mahatma Gandhi National Rural Employment Guarantee Act' under which 100 days of employment guarantee<sup>xiii</sup> has helped in improving the economic situation of the rural areas. The increase in income is seen in both absolute values as well as in the increase in average number of days of occupation in a year.

##### SPREAD OF TELEVISION AND DTH SERVICE

Spread of television to nook and corner of the country and with advent of regional language channels, has changed the scope and extent of viewing with rural and small towns constituting 60 percent of TV sets holders in the country. This has led to a quicker spread of news and information to the fragmented market leading to easier access to a prospective market to the marketer. Today with the advent of Direct to Home (DTH) networks it has become easier for government as well as companies to spread message to their targeted audience. Many companies in DTH and entertainment channels<sup>xiv</sup> also share the idea of Government of India that DTH can be a dependable source. According to the new DTH service providers, including Airtel Digital TV, Videocon D2H and Reliance Big TV, around 65% of their new subscribers are from rural and semi-urban areas. Also, 40% of the DTH subscribers are first time viewers of cable and satellite services.<sup>xv</sup>

##### SPREAD OF COMMUNICATION NETWORK

Mobile market penetration is projected to increase from 38.7% in 2009 to 63.5 % in 2013. India had 109.7 million rural mobile subscribers at the end of the first quarter of 2009, up by 18 percent from 93.2 million users in the fourth quarter of 2008. Gartner says this growth is primarily attributed to the operators increasing their focus on the rural market, local consumer durable and electronic companies entering the domestic mobile handset segment, and lower handset prices. Thomson Reuters has been updating over one lakh farmers in the country with the latest market trends, weather forecast, and crop information via its SMS-based service. The subscription can be bought for a period of three, six or 12 months at a price of Rs 60 per month. The content is available in local languages such as Marathi and Punjabi. Thomson Reuters now plans to extend this mobile service to nine more states.<sup>xvi</sup>

##### EDUCATION

The rate of growth of literacy in the decade ending 2001 has been higher in the rural areas, at 14.75 per cent as compared to the 7.2 per cent increase in urban areas. Despite these improvements literacy in urban areas was 80.3 per cent and that in rural areas 59.4 per cent.<sup>xvii</sup> This shows that the rural areas which were traditionally a market that bought goods without verifying with the quality now through education is slowly but surely acquiring the power to judge between the good and the bad quality.

##### SATURATION URBAN MARKET

The urban market is getting saturated and thus is unable to provide the much needed market to many companies and in search of greener pastures many of these companies are now targeting the rural market.

#### MAJOR HURDLES IN THE RURAL MARKET

##### Seasonal Demand

Demand for goods in rural markets depends upon agricultural situation, as agriculture is the main source of income. Agriculture to a large extent depends upon monsoon and, therefore, the demand or buying capacity is not stable or regular.

##### Transportation

Many rural areas are not connected by rail transport.

##### Distribution

An effective distribution system requires village-level shopkeeper, Mandal / Taluka - level wholesaler or preferred dealer, distributor or stockiest at district level and company-owned depot or consignment distribution at state level. The presence of too many tiers in the distribution system increases the cost of distribution.

##### Media for Promotions



Television has made a great impact and large audience has been exposed to this medium. Radio reaches large population in rural areas at a relatively low cost. However, reach of formal media is low in rural households; therefore, the market has to undertake specific sales promotion activities in rural areas like participating in melas or fairs.

#### • Cultural Factors

Culture is a system of shared values, beliefs and perceptions that influence the behavior of consumers. There are different groups based on religion, caste, occupation, income, age, education and politics and each group exerts influence on the behavior of people in villages. There is a belief among rural people that experience is more important than formal education and they respect salespersons who can offer practical solutions to their problems. Therefore, it is desirable that sales persons, especially those who have been brought up in cities are given a thorough training consisting of both theory and practical aspects of village life. The training will help these sales persons to align themselves with the market realities and settle down smoothly in their jobs. Rural market has a tremendous potential that is yet to be tapped. A small increase in rural income, results in an exponential increase in buying power.

## CONCLUSION

Companies and marketers will have to understand the needs and demands rural customers before they can make inroads in to rural markets. The size of the rural market is fast expanding. Arvind mills decision on marketing its Ruff & Tuff brand in the rural market was met with astounding success. In the first two months itself the demand had crossed a million pieces. Britannia too ventured with its basic product, biscuits with brand called Tiger. This brand is statically gaining market share and is also creating new markets. Coca Cola, the market leader in the urban areas developed a completely new bottle priced at Rs 5 which was specifically targeted to compete with the products like tea and coffee in the rural area and it had even designed advertisement promo's and signed Aamir Khan the brand ambassador as his movie 'Lagaan' had just released which had rural background so people will be able to associate him better. ITC's e-chaupal initiative to equip the rural farmers, HLL's project Shakti to empower rural human consumers through income generation project are some the examples, which have opened new vistas in rural marketing.

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<sup>ii</sup> Source: [http://en.wikipedia.org/wiki/States\\_of\\_India\\_by\\_size\\_of\\_economy](http://en.wikipedia.org/wiki/States_of_India_by_size_of_economy)

<sup>iii</sup> Source: <http://devinder-sharma.blogspot.com/2009/02/farmers-need-direct-income-support.html>

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<sup>x</sup> <http://ultimatechennai.blog.co.in/2009/03/07/rural-initiatives-of-corporate-india/>

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