

PENETRATING THE COUNTRYSIDE: OPPORTUNITIES AND CHALLENGES

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ABSTRACT

Indian Rural markets are not only attractive but easy accessible for many corporate and MNCs today. The rationale behind this is the comprehensive growth of the economy which has led to considerable increase in the purchasing power of the rural coterie and saturation in urban markets in different categories of consumer products. Marketers are focusing to put forth their products to unexplored rural market. India is a country where three fourth of its consumers are living in rural areas and half of the country's national income is accelerated from rural market. Indian rural markets have untapped potential and growing purchasing power that has stoked a great deal of interest in many companies to explore cost effective channels to tap these markets. Large quantities of industrial and urban manufactured products are consumed by rural markets. However, there are several problems that resist the effort to completely explore these markets. This paper examines the impact of marketing strategies on rural India and shift of Multinational Corporation's concentration towards the Indian rural market. Rural segment is extremely splintered and spread over a huge geographical base where behavioural and cultural differences vary from village to village. The objective of this paper is to make a modest attempt at grasping the stimulated growth of rural markets and approach to supply products to meet the expectations of rural consumers. The main aim is to observe the potentiality of Indian Rural Markets, problems faced and to suggest various ways to tap these markets.

1. INTRODUCTION

The definition of rural area according to Census of India 2011 is as follows:

1. All locations outside the limits of a municipality/corporation, cantonment board or a notified town area committee.
2. All other locations that satisfy the following criteria:
 - A population of less than 5,000.
 - At least 75 per cent of the male workforce engaged in agricultural activities; and
 - A population density of less than 400 persons per sq. km.

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According to Iyer (2010) rural Marketing is defined as, “A function that manages all activities involved in assessing, stimulating and converting the purchasing power of rural consumers into an effective demand for specific products & services and moving these products & services to the people in rural areas to create satisfaction and a better standard of living and thereby achieving organizational goals”

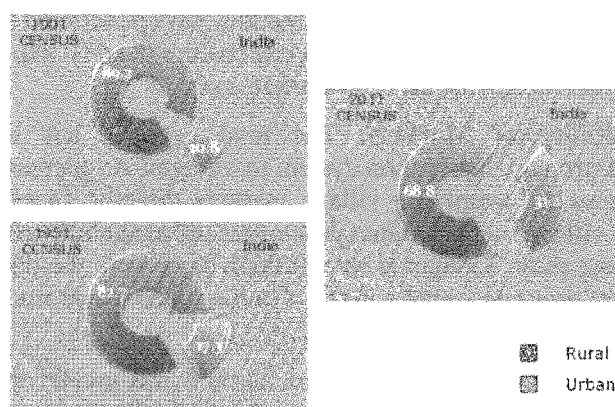
Table 1: Differentiating Urban and Rural Markets

Criteria	Rural area	Urban area
• Density of population	• In the same country and at the same period the density is lower than in urban community.	• Greater than in rural communities
• Occupation	• Agrarian economy, people engaged in agriculture and allied activities	• People mostly engaged in manufacturing and service industry
• Size of community	• Small and inter-dependent communities, density of population is low	• Density of population is high, greater penetration of markets
• Heterogeneity and homogeneity of population	• Compared with urban population rural communities are more homogeneous in terms of race, culture, religion and socio economic conditions	• More heterogeneous than rural areas, in fact urbanity and homogeneity are directly related
• Social differentiation	• Rural differentiation and stratification less than urban	• Differentiation and stratification are directly related

The Kaleidoscope called Rural India

1. Population explosion: The size of rural market can be gauged by the fact that 833 million Indians constituting 68.84% of the population reside in 6,40,867 villages (Census, 2011).

Figure 1: Trends in Rural Urban Distribution of Population India (in %) (1901, 1951, 2011)



Source: Census of India, 2011

2. Market Growth: This overwhelming market has been growing at 3-4% per annum adding more than ten million new consumers every year.

3. Growth in Literacy: The improvement in literacy rate in rural area is two times that in urban areas. The rural urban literacy gap which was 21.2 percentage points in 2001, has come down to 16.1 percentage points in 2011

Table 2: Decadal literacy growth rate in India

	2001	2011	Difference
Overall			
India	64.8	74.0	+9.2
Rural	58.7	68.9	+10.2
Urban	79.9	85.0	+5.1

Source: Census of India, 2011

4. Greater use of IT in Rural India: Access to government schemes and services, exam results, career counselling, job opportunities, health and legal advice and services, worldwide news and information, weather forecasts, education opportunities, land records, mandi prices, bank loans, livelihood options. The big barrier to adoption of IT is now being taken care of by making available software's and other IT tools in vernacular language along with audio and touch screen options which are making the usage of IT tools very user friendly.

5. Income generation and increase in Purchasing Power: The extensive support of the government to the farm sector together with realisation of

market prices of agricultural produce have helped in increase of farm income and corresponding purchasing power of rural people. Hence the products that were exclusive to urban markets have penetrated to rural India as well. As more and more urban markets mature the next wave of growth for MNCs will come from the rural markets only.

6. Accessibility of Markets: The road network has facilitated a systemized product distribution system to villages. An increasing number of companies are supplying village markets directly. Increasing direct contacts to villages helps product promotion and availability of the product in the village shop. Villages where bullock carts were the only means of transport are now connected with all weather roads where trucks and vans can easily transport goods and people.

7. Demographical shifts: Increased literacy and greater awareness in rural markets create new demands and discriminating buyers. In villages also younger population has started consuming a large variety of durable and non-durable products.

8. Competition in urban markets: Increase in competition in urban markets raised the cost and reduces the market share of companies thus rural markets are becoming more attractive in relation to urban markets.

9. Increased credit facilities for farmers: With co-operative banks taking the lead in the rural areas, every village has access to short, medium, long-term loans from these banks. The credit facilities extended by public sector banks through Kisan Credit Cards help the farmers to buy seeds, fertilizers and every consumer goods on instalments. This enabled them to produce more and thereby increase in their income.

11. Income remitted by expatriates: There is a sizeable amount of money that is sent to home country by the people working outside India. From many parts of the country particularly the agricultural labours have migrated to countries in Middle East and Europe to work there in factories and farms.

12. Penetration of social and mass media: Media has led to increased demand for products and services in rural areas. Companies are employing the right mix of conventional and non-conventional media to create demand for premium products. The cable television, internet and mobile have played a vital role in bringing a change in the mindset of rural people and influencing their lifestyles.

2. PROFILE OF RURAL CONSUMERS

- (1) Proprietors of land or Landlords- It includes feudal lords, zamindars, rich money-lenders and traders who acquired large tracts of land; and companies or persons who own large

plantations. These former zamindars and landlords have no real roots in the rural areas. They are composed mainly of absentee landlords who have large properties in cities and towns. Their children are educated in urban centres or even sent abroad. Their life-style is nearer to the urban upper class than to the rural population.

- (2) Rich farmers- They belong to the dominant caste of the area. They are the rich cultivators, belonging to the dominant caste in the region. They live in villages and have strong roots in rural India. They are wielders of power and influence. They rank above the rural population in terms of social, economic, and educational status. This class of farmers along with the 'proprietors of land' have adopted mechanisation in agriculture. With increasing prosperity they aspire for better living conditions and a greater interaction with urban centres.
- (3) Others- Small peasants or marginal farmers owning uneconomic lands holdings, tenant farmers operating on rented lands belonging to large landholders and working on small land holdings and artisans, have relatively low per capita income and comprise a major portion of rural population.

3. STRUCTURE OF COMPETITION IN RURAL INDIA

The structure of competition in rural India is classified as follows:

- (i) From urban national branded products- In certain villages the mushrooming of national brands is quite evident. This is more likely in villages which are on the periphery of larger town's because of the spill-over from the urban centres. Certain national brands have reached the distant villages because of the consistent efforts made by their manufacturers. This is most noticeable in case of branded tea.
- (ii) From unbranded urban products- These products are manufactured at an urban centre and find their way into rural India through wholesale channels. These include washing products, confectionery items, ribbons, bangles etc.
- (iii) From locally made products - In some villages, regional brands or brands of the unorganised sectors are quite common. These include hand made products like soaps, shampoos, achar, papad and other traditional products.

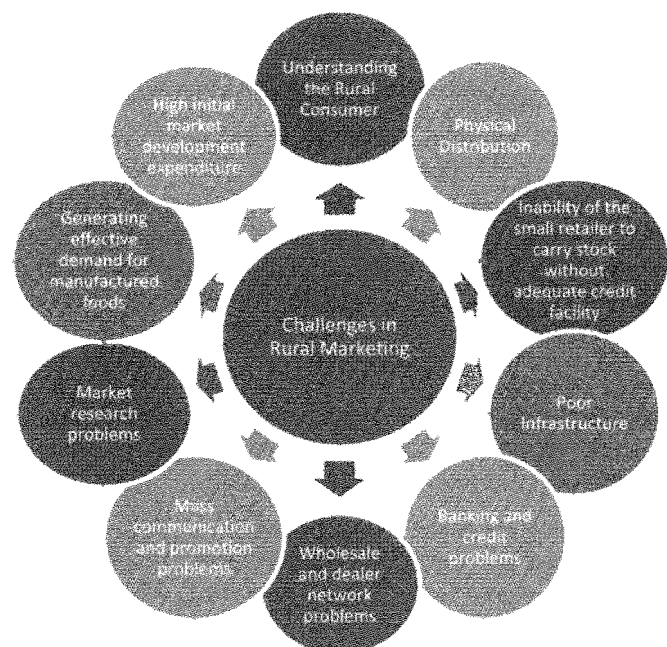
Challenges in Indian Rural market

There are several problems that resist the effort to fully tap the rural

markets. But marketers are putting a serious effort to explore these markets. Rural market poses complex logistical challenges that directly translate into high distribution cost. Rural India is very vast and scattered which raises cost of distribution and cost of the product. Many rural areas are not connected by rail transport. Roads are poorly surfaced and get eroded during monsoons. Distribution channel management is the most difficult task for marketers in rural areas. Huge capital investment and better distribution and logistics system is required along with good relationships with dealers and distributors.

Availability of all variants of a product is a major problem as the average shelf space or shop space is small as compared to urban areas. Less space restricts the deep assortment of merchandise or offering. Rural dealer or distributor may switch over to local brand and offer huge margin, better credit facility and immediate supply of goods. Warehousing facilities are not available in rural India and available godowns are not properly maintained. Storage facility is necessary because of the time gap between production and consumption of commodities.

Figure 2: Challenges in rural India



RECOMMENDATIONS FOR EFFECTIVE RURAL MARKETING

- 1) Effective Supply Chain Management helps in reducing costs associated with rural markets like distribution cost, cost of communication, customer cost, cost of sale etc.
- 2) It is essential to educate rural consumers in all aspects like getting the right product at right place at right cost, gathering information about the product and its usage, consumer rights, laws and regulations for successful rural marketing.
- 3) Marketing in rural India requires more intensive personal selling efforts compared to urban marketing. A brand must associate it with the same things the rural folks do to effectively tap these markets. This can be done by taking advantage of various rural folk media to reach these places in their own language so that people can connect them to the product which MNCs are offering. The companies can advertise their products in fairs and melas to reach their potential customers and for brand building.
- 4) Periodical surveys in rural areas are required to establish whether the products are right and prices sustainable, and whether the communication medium is effective and has greatest appeal.
- 5) Pilgrim sites can be exploited to promote brands for rural market as lakhs of people visit these places every year. This can be an ideal platform for campaigning and promoting brands.
- 6) Young children are emerging as the change agent in rural areas. There is a need to educate them about the product and demonstrating the benefits offered by the product for the health and safety of children and the entire family.
- 7) Marketers have to be really innovative, when it comes to promoting a product in rural areas. Depending upon the category of the product and the target market, organisations can select innovative promotional campaigns. Companies can make use of demonstration bullock carts and vans to communicate about the product to villagers as written instructions may be illegible to the consumers who are illiterate.
- 8) The electricians, mechanics and technicians in every village could be provided with tools and accessories and their shops could be painted with company logo and brand name. These persons can act as brand promoter in local area and can act as opinion leaders as these persons are considered as specialists in their field.
- 9) Companies should start allotting special rural budget for establishing

separate verticals in terms of sales and marketing to ensure availability of their brand even in smaller markets.

- 10) In order to penetrate more in rural market it is vital to understand the peak season concept. Different regions in India have different peak season demand especially in rural parts. These times are associated with festivals, harvest and marriage seasons. There is a huge demand for consumer durables during these times. The rural consumers are in a state of mind to try new and premium brands and have cash for the same at this time. Companies must ensure that their products are available in accordance with the increased demand.

5. CONCLUSION

The majority of sales of the consumer durables are in urban areas but majority of the consumers are from villages. Therefore it is imperative for organisations to study the need profile and behaviour of the rural consumer and accordingly develop the marketing mix for the products meant for rural market. Rural market benefits the rural economy by providing infrastructural facilities and improving the standard of life of people in remote areas. With some technological breakthrough in distribution and marketing of products in rural India, companies can earn more profits and capture additional market share. Companies must make rural specific products and need to explore new distribution models. The development of the rural market will involve additional cost both in terms of promotion and distribution. Successful companies will be those who can develop efficient and cost effective distribution channels. Rural markets have a huge potential for companies in future and strategic tie-ups is the key to success in rural India.

6. BIBLIOGRAPHY

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