

Challenges and Strategies of Rural Marketing in India

Dr. Harish Kumari

Principal

Khalsa College (Asr) of Technology and Business Studies

Phase- 3A, S.A.S Nagar, Mohali

Abstract

Rural marketing involves the process of developing, pricing, promoting, distributing rural specific product and a service leading to exchange between rural and urban market which satisfies consumer demand and also achieves organizational objectives. In recent years, rural markets have acquired significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. In recent years, rural markets have acquired importance, as the overall growth of the economy has resulted into considerable increase in the purchasing power of the rural people and preferences of rural people are also getting changed. So, every marketing player is keen to invest in rural markets. Though there is huge potential and substantial growth opportunities in the rural markets, yet there are some challenges too, which caused hurdles in tapping rural markets. This study is a step forward to highlight challenges and explore various strategies to be adopted in the rural market along with the current scenario of rural marketing.

Keyword: rural marketing, marketing, challenges in rural marketing, rural marketing strategies.

Rural Market And Rural Marketing

India is a land of diversity and about 70% of the Indian population lives in villages. These villages contribute in the economic development of the nation through the production of food grains, vegetables, fruits, etc. Export of these agricultural commodities result in the generation of capital and earnings of foreign exchange. There are 600,000 villages in India. 25% of all villages account for 65% of the total rural population. So we can contact 65% of 680 million or 700 million population by simply contacting 150000 villages – which shows the huge potential of this market. Indian rural market has a vast size and demand base. Before going into more aspects on rural marketing, let us understand how rural is defined.

The Census defines urban India as - "All the places that fall within the administrative limits of a municipal corporation, municipality, cantonment board etc. or have a population of at least 5,000 and have at least 75 per cent male working population in outside the primary sector and have a population density of at least 400 per square kilometer. Rural India, on the other hand, comprises all places that are not urban!" The government of India only defines a non-urban market. An urban market is the one which has a population density of 400 people per sq/km. 7% of its population has to be involved in non-agricultural activities and there is a municipal body. If we go by statistics, roughly around 70% of the Indian population lives in the rural areas. That's almost

12% of the world population. Rural Marketing Rural marketing involves the process of developing, pricing, promoting, distributing rural specific product and a service leading to exchange between rural and urban market which satisfies consumer demand and also achieves organizational objectives. It is a two-way marketing process wherein the transactions can be:

1. Urban to Rural: It involves the selling of products and services by urban marketers in rural areas. These include: Pesticides, FMCG Products, Consumer durables, etc.
2. Rural to Urban: Here, a rural producer (involved in agriculture) sells his produce in urban market. This may not be direct. There generally are middlemen, agencies, government co-operatives, etc. who sell fruits, vegetables, grains, pulses and others.
3. Rural to rural: These include selling of agricultural tools, cattle, carts and others to another village in its proximity.

Features Of Indian Rural Markets

- * Large, Diverse and Scattered Market: Rural market in India is large, and scattered into a number of regions. There may be less number of shops available to market products.
- * Major Income of Rural consumers is from Agriculture: Rural Prosperity is tied with agriculture prosperity. In the event of a crop failure, the income of the rural masses is directly affected.
- * Standard of Living and rising disposable income of the rural customers: It is known that majority of the rural population lives below poverty line and has low literacy rate, low per capital income, societal backwardness, low savings, etc. But the new tax structure, good monsoon, government regulation on pricing has created disposable incomes. Today the rural customer spends money to get value and is aware of the happening around him.
- * Traditional Outlook: Villages develop slowly and have a traditional outlook. Change is a continuous process but most rural people accept AcroPDF - A Quality PDF Writer and PDF Converter to create change gradually. This is gradually changing due to literacy especially in the youth who have begun to change the outlook in the villages.
- * Rising literacy levels: It is documented that approximately 45% of rural Indians are literate. Hence awareness has increases and the farmers are well-informed about the world around them. They are also educating themselves on the new technology around them and aspiring for a better lifestyle.
- * Diverse Socioeconomic background: Due to dispersion of geographical areas and uneven land fertility, rural people have disparate socioeconomic background, which ultimately affects the rural market.
- * Infrastructure Facilities: The infrastructure facilities like cemented roads, warehouses, communication system, and financial facilities are inadequate in rural areas. Hence physical distribution is a challenge to marketers who have found innovative ways to market their products.

Objectives Of The Study

1. To know the rural market status and growth drivers of the rural markets in India

2. To highlight the challenges and barricades of rural marketing in India
3. To discuss various strategies in rural marketing.

Review Of Literature

Kannan (2001) studied the rural marketing prospects in selected areas of Tamil Nadu with a view to examine the potential of selected products in the areas under consideration. 100 respondents were selected in this survey and multistage random sampling was used. He concluded that the rural markets are coming up in a big way and growing twice as fast as the urban, witnessing a rise in sales of typical urban kitchen gadgets such as refrigerators, mixer grinders and pressure cookers. For successful marketing in rural areas, an integration of traditional and modern methods of selling is required. To communicate effectively with the prospective rural consumers and to ensure effective distribution and prompt delivery, organizations must understand the specific requirements and needs of the villagers and then plan their strategy to convert the prospective consumers into active consumers. Timmer and Peter (2006) concluded that in the rice-based food system in Asia, greater investment in rural human capital, more efficient rural financial markets, and opening of the world rice market to free trade would ensure a more prosperous future for the farmers and greater food security for the consumers. Kaur Manpreet (2013) attempted to find out the various initiatives taken by HUL to reach the rural consumer. Hindustan Unilever is the pioneer and largest player in India's FMCG market. HUL was the first company to step into the Indian rural marketing. HUL started its first effort towards going rural 1960's onwards, through indirect coverage of accessible rural market through its urban network stockists and distributors. HUL proactively engaged in rural development in 1976 with Integrated Rural Development Programme in Etah district of Uttar Pradesh. In 1990, HUL launched 'Operation Streamline' for distribution of products to inaccessible rural markets with High potential using unconventional transport like bullock carts, tractors and bicycles and appointed rural distributors and star sellers. In 2000, HUL started Project Shakti to reach inaccessible low potential rural markets. This project has reached 100,000 villages. HUL embarked upon Project Samuriddhi in 2003 to create sustainable villages in Dadra and Nagar Haveli. Today HUL's products touch the lives of two out of every three Indians. Kotni VV Devi Prasad (2012) proposed to undertake this study to find out various ways to tap the potential rural markets. The main aim of this study was to observe the potentiality of Indian Rural Markets and finding out various problems are being faced by rural markets. This paper attempted to provide a brief literature on rural marketing and finally offers policy recommendations for better performance of rural markets by adopting SWOT analysis matrix to rural markets.

Growth Drivers Of The Rural Markets

Key drivers of rural market growth are:

- a) Higher income: Which includes crop diversification (biotech products, cash crops such as mint, floriculture, horticulture, etc.), higher commodity prices, organized retail and contract farming, remittances from abroad or migrant urban kin, government employment generating schemes such as NREGA, microfinance and rural credit, waiver of loans to the

farmers, encouragement to cottage and micro industries, subsidies on agro inputs such as seeds, fertilizers, etc., and marketing assistance through organized retail, contract farming, rural cooperatives, projects such as ITC chaupalsagar, etc.

- b) New aspirations: Mainly through more exposure to urban products and services due to media, literacy, migration, etc., demand for urban type products, aspiration for better quality of life as product become affordable, and better informed due to projects such as e-shakti and e-chaupal of HUL and ITC respectively.
- c) Improvement in infrastructure and rural connectivity: In the eleventh five year plan government has specific focus on the inclusive growth of the country. This includes rural and urban poor as well as the primary agricultural sector. Several schemes have been launched in last couple years related to rural housing, roads, communication, drinking water, rural 39 Journal of Business Administration and Education electrification, etc. These have considerably improved the living conditions of rural population and have led to increase in their demand and consumption for the automobile and consumer durable goods such as mobile, television, etc.
- d) Growth of rural consumption: Due to easier availability of credit, lowering of prices of consumer durables such as television, refrigerator & mobile phones, growth in rural income, increase in rural savings, improvement in literacy, urban association due to migrants driving sale of consumer durable, apparels, footwear, FMCG, automobile, etc., easy availability of branded goods at closer vicinity due to rural organized retail such as Haryali Bazaar, ITC Chaupal, Godrej Aadhar, etc., and availability of low priced products due to improvement in technology and imports from countries such as China. Also there is a sizeable demand for second hand goods especially in automobiles.

Challenges And Barricades Of Indian Rural Markets

There are several roadblocks that make it difficult to progress in the rural market. The major problems are listed below.

1. Standard of living: The number of people below the poverty line is more in rural markets. Thus the market is also underdeveloped and marketing strategies have to be different from those used in urban marketing.
2. Low literacy levels: The low literacy levels in rural areas leads to a problem of communication. Print media has less utility compared to the other media of communication.
3. Low per capita income: Agriculture is the main source of income and hence spending capacity depends upon the agriculture produce. Demand may not be stable or regular.
4. Transportation and warehousing: Transportation is one of the biggest challenges in rural markets. As far as road transportation is concerned, about 50% of Indian villages are connected by roads. However, the rest of the rural markets do not even have a proper road linkage which makes physical distribution a tough task.
5. Ineffective distribution channels: The distribution chain is not very well organized and requires a large number of intermediaries, which in turn increases the cost and creates administrative problems. Due to lack of proper infrastructure, manufacturers are reluctant to open outlets in these areas. They are mainly dependent on dealers, who are not easily

- available for rural areas. This is a challenge to the marketers.
6. Many languages and diversity in culture: Factors like cultural congruence, different behavior and language of the respective areas make it difficult to handle the customers. Traits among the sales force are required to match the various requirements of these specific areas.
 7. Lack of communication system: Quick communication is the need of the hour for smooth conduct of business, but it continues to be a far cry in rural areas due to lack of communication facilities like telegraph and telecommunication systems etc. The literacy rate in the rural areas is rather low and consumer's behavior in these areas is traditional, which may be a problem for effective communication.
 8. Spurious brands: Cost is an important factor that determines purchasing decision in rural areas. A lot of spurious brands or look-alikes are available, providing a low cost option to the rural customer. Many a time the rural customer may not be aware of the difference due to illiteracy.
 9. Seasonal demand: Demand may be seasonal due to dependency on agricultural income. Harvest season might see an increase in disposable income and hence more purchasing power.
 10. Dispersed markets: Rural population is highly dispersed and requires a lot of marketing efforts in terms of distribution and communication.

Rural Marketing Strategies

Dynamics of rural markets differ from other market types, and similarly rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer. This, along with several other related issues, have been subject matter of intense discussions and debate in countries like India and China and focus of even international symposia organized in these countries. Rural markets and rural marketing involve a number of strategies which includes following:

1. Client and Location specific promotion: It involves a strategy designed to be suitable to the location and the client.
2. Joint or co-operative promotion: This strategy involves participation between the marketing agencies and the client.
3. 'Bundling of inputs': It denote a marketing strategy, in which several related items are sold to the target client, including arrangements of credit, after-sale service, and so on.
4. Developmental marketing: it refer to taking up marketing programmes keeping the development objective in mind and using various managerial and other inputs of marketing to achieve these objectives.
5. Media, both traditional as well as the modern media, is used as a marketing strategy.
6. Extension Services denote, in short, a system of attending to the missing links and providing the required know-how.
7. Ethics in Business form, as usual, an important plank for rural markets and rural marketing.
8. Partnership for sustainability: It involves laying and building a foundation for continuous and long lasting relationship.

Conclusion

The rural market is where the markets of the future are likely to be. Urban markets are becoming increasingly competitive for many products. In some cases they are even saturated. On the other hand, rural markets offer growth opportunities. Rural market is the market of the new millennium. Marketers will have to understand the rural customers before they can make inroads into the rural markets. The size of the rural market is fast expanding. The rural market is captivating and challenging at the same time. The challenges ahead are Low literacy levels, dispersed markets, spurious brands, many languages and diversity in culture, ineffective distribution channels and Lack of communication system. It offers large scope on account of its sheer size. It is often said that markets are made, not found, this is especially true of the rural market of India. The rural markets can be proved truly creative markets by following strategies like by having suitable client and location specific promotion, Joint or co-operative promotion, using both traditional as well as the modern media and involves laying and building a foundation for continuous and long lasting relationship.

References

1. Ashley C. and Maxwell S “Rethinking Rural Development”, Development Policy Review, Blackwell Publishing, Vol. 19, No. 4, pp. 395-425, London, 2001. 54 Journal of Business Administration and Education
2. Basi and Badi “Rural Marketing”, Himalaya Publishing House, Mumbai, 2004.
3. Goel, N. “Marketing Mix for Rural Market”, Scope & Challenges of Rural Marketing in India, Sumesh Raizada & Vishal Agarwal (ed.), Excel Books, New Delhi, India, 2010.
4. Iyer, Vidya (2009-2010), “Rural Marketing”, SIES Journal of Management, Vol. 6, Iss. 2; pg. 110, 4 pgs 5
5. Jha, M., (April 1999) 'Rural Marketing: Some Conceptual issue' Rural Scan, vol. I no.2
6. Krishnamacharyulu & Ramakrishnan “Rural Marketing - Text & Cases”, Pearson Education, New Delhi, 2008.
7. Kuttayan, Annamalai & Sachin Rao “What Works, ITC’s E-Choupal and Profitable Rural Transformation Rural”, UNC Kenan Flagler Business School, August 2003.
8. Monish Bali, "The Rural Market Likes It Strong", The Economic Times, August 23, 2000.
9. Menon, S. (2005, April 30). "How HUL Gave Lux a Makeover" The Hindu Business Line, April 30, 2005, pp4.
10. Neelamegham, S. “Marketing in India”, Vikas Public House Ltd., Delhi, 2004. [12] Neeraj Jha, "Gung-ho on Rural Marketing", The Financial Express, June 19, 2000.
11. Raizada, S. “C-R-M of Rural Marketing”, Scope & Challenges of Rural Marketing in India, Sumesh Raizada & Vishal Agarwal (ed.), Excel Books, New Delhi, India, 2010.
12. Sudhanshu, S., and Sarat, S. K., (2010). “Non Conventional MARCOM Strategy for Rural India”, Indian Journal of Marketing, Volume: 40: (2), pp. 56-61.
13. Vaswai, L. K.; Aithal, R.; Pradhan, D., and Sridhar, G., (2005). “Rural Marketing in Development Paradigm”, International Journal of Rural Management, Volume: 1: (2), pp. 245- 262.
<http://knowledge.wharton.upenn.edu>
<http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4386>
www.traigov.in
<http://www.rbi.org.in>