

---

**SIGNIFICANCE OF RURAL MARKETING**

---

Ashu\*

---

**INTRODUCTION**

The concept of Rural Marketing in India Economy has always played an influential role in the lives of people. In India, leaving out a few metropolitan cities, all the districts and industrial townships are connected with rural markets. . The rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population. Typically, a rural market will represent a community in a rural area with a population of 2500 to 30000. **"The future lies with those companies who see the poor as their customers."** - C.K.Prahalad India is a country of diverse cultures, languages and rituals. In these circumstances it has become a challenge for manufacturers to differentiate their offerings according to the Indian market. With about 70% of Indian population residing in rural areas the need of the hour for the marketers is penetrating this market.

Driven by green revolution, rural populations purchasing power has grown tremendously over the years. Accordingly rural demand for industrial and urban related products is also growing. In this context, a special marketing strategy, namely, rural marketing has emerged. But often, rural marketing is confused with agricultural marketing. While latter denotes marketing of produce of the rural areas to the urban consumers or industrial consumers, rural marketing involves delivering manufactured or processed inputs or services to rural producers or consumers. To be precise, Rural Marketing in India Economy covers two broad sections namely - Selling of agricultural items in the urban areas and Selling of manufactured products in the rural regions. The rural market in Indian economy generates almost more than half of the country's income. Rural marketing in Indian economy can be classified under two broad categories. These are: The market for consumer goods that comprise of both durable and non-durable goods and the market for agricultural inputs that include fertilizers, pesticides, seeds, and so on. Rural markets, as part of any economy, have untapped potential. There are several difficulties confronting the effort to fully explore rural markets.

---

\*Dawarkapuri, Old Court Road JagadhriDistt. Yamunanagar

The concept of rural markets in India 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. The objectives of this study include observing the dynamics of Indian Rural Markets over a period of time, reviewing the literature of rural markets and rural marketing, outlining the potentiality of rural markets with respect to different segments like FMCG, Automobiles, and Retail etc. The study also concentrates on the problems faced by rural markets and finally offering suggestions to overcome the problems and tapping the potentiality of the rural markets at maximum level.

### **DEFINING RURAL MARKETING**

Several Corporate defined Rural marketing as -function that manages all activities involved in assessing, stimulating and converting the purchase power of rural consumers into effective demand for specific products and services to create satisfaction and a better standard of living for achieving organisational goals.

### **PHASES IN RURAL MARKETING**

Rural Marketing meant different in 3 different periods.

#### **Part 1 (before 1960):**

It was a completely an unorganized market, where "baniyas and mahajans" dominated the market. Rural marketing was another word for agricultural marketing because agricultural produces like food grains industrial like cotton, oil seeds, sugarcane etc. occupied primary attention and the supply chain activities of firm supplying agricultural inputs and of artisans in the rural areas received secondary attention.

#### **Part 2(1960 to 1990):**

The greatest thing which happened in this period was green revolution which led to farming involving scientific and technological methods and many poor villages became prosperous business centers. With better irrigation facilities, soil testing, use of high yield variety seeds, fertilizers, pesticides and deployment of machines like power tillers, harvesters, threshers etc. and the output increased especially wheat and paddies. Due to this marketing of agricultural inputs was also now there a new potential market.

Now marketing of rural marketing meant "marketing of agricultural inputs" and "agricultural marketing". Agencies like Khadi and Village Industries Commission, Cooperative Societies APCO Fabrics ,IFFCO, KRIBHCO Company bloomed and government paid special attention to

---

promote these products. Sale of handicrafts, handloom textiles, soaps ,safety matches and crackers increased on large scale in urban areas.

### **Part 3(after mid 1990):**

Since 1990,India's industrial sector had gained strength and maturity. It's contribution to GNP increased substantially. With support and development programmes of central and state government's service organizations and socially responsible business groups like Mafatlal,Tata, Birla, Goenkas and others the rural areas progressed socially and economically.

## **DEMOGRAPHIC DETAILS OF INDIAN RURAL MARKETS**

- About 285 million live in urban India whereas 742 million reside in rural areas, constituting 72% of India's population resides in its 6, 27,000 villages:
- The number of middle income and high income households in rural Indian is expected to grow from 46 million to 59 million.
- Size of rural market is estimated to be 42 million households and rural market has been growing at five times the pace of the urban market.
- More government rural development initiatives.
- Low literacy rate
- Increasing agricultural productivity leading to growth of rural disposable income.
- Lowering of difference between taste of urban and rural customers.

## **SIGNIFICANCE OF RURAL MARKETING**

Rural market is getting an importance because of the saturation of the urban market. As due to the competition in the urban market, the market is more than or as saturated as most of the capacity of the purchasers has been targeted by the marketers. So the marketers are looking for extending their product categories to an unexplored market i.e. the rural market. Here we can think of HLL (now, HUL) initiatives in the rural India. One of such project is the Project Shakti, which is not only helping their company attain some revenue but also helping the poor women of the village to attain some money which is surely going to increase their purchasing power. Also this will increase their brand loyalty as well as recognition in that area. Similarly we can think of the ITC E-Chaupal, which is helping the poor farmers get all the information about the weather as well as the market price of the food grains they are producing. In other view these activities are also helping the companies increase their brand value.

---

In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural population. On account of the Green Revolution in India, 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 taken shape. The Indian rural market has a huge demand base and offers great opportunities to marketers. Two-thirds of Indian consumers live in rural areas and almost half of the national income is generated here. The reasons for heading into the rural areas are fairly clear. The urban consumer durable market for products like colour TVs, washing machines, refrigerators and air conditioners is growing annually at between 7 and 10 per cent. The rural market is zooming ahead at around 25 per cent annually. "The rural market is growing faster than urban India now," says VenugopalDhoot, chairman of the Videocon Appliances. "The urban market is a replacement and up gradation market today,"

### **PROSPECTS OF RURAL MARKETS**

The Indian growth story is now spreading itself to India's hinterlands. 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 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.

**FMCG SECTOR:** According to figures released by market researcher Nielsen, demand for personal care products grew faster in rural areas than urban areas during~ the period January-May 2010. In shampoos, rural demand grew by 10.7 per cent in value terms, while in urban markets, it rose by 6.8 per cent. Similarly, toothpaste sales grew by 9.1 per cent in rural India and by 4.4 per cent in urban markets. 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. Swiss FMCG giant, Nestle plans to make further inroads into the rural markets.

### **RETAIL SECTOR:**

The rural retail market is currently estimated at US\$ 112 billion, or around 40 per cent of the US\$ 280 billion Indian retail market, according to a study paper, 'The Rise of Rural India', by an industry body. Hindustan Unilever (HUL) is planning to significantly increase its rural reach.

According to Harish Manwani, Chairman, HUL, the quality and quantity of rural coverage will go up to the extent that "what we have done in the last 25 years we want to do it in the next two years." Currently HUL products reach approximately 250,000 rural retail outlets and the company intends to scale it up to nearly 750,000 outlets in two years time. Castrol India is pushing its rural sales by building up a distribution infrastructure to reach out to all villages. According to Ravi Kirpalani, Chief Operating Officer, Castrol India, "Our distribution now reaches 5,000-7,000 towns and villages, but we are planning to take our products to six lakh villages with a population of less of 5,000."

#### **AUTOMOBILE SECTOR:**

Car sales in rural India have been on the increase in the last three years since the government announced various schemes such as farm loan waiver etc., for the rural population. 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. 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. Yamaha is also planning a major initiative in rural India by launching more models in the affordable price range. "We are very strong in Tier 1 and Tier II cities. Now onwards, our focus will be rural India (Tier III towns). We will launch more models in the affordable price range to dominate the rural market," Tata Motors is also making efforts to sell its pickup truck Ace in rural markets.

#### **ESTIMATED ANNUAL SIZE OF THE RURAL MARKET**

<b>TABLE 1: ESTIMATED ANNUAL SIZE OF THE RURAL MARKET</b>	
FMCG	Rs. 65,000 Crore
Durables	Rs. 5,000 Crore
Agri-Inputs (including tractors)	Rs. 45,000 Crore
2 / 4 Wheelers	Rs. 8,000 Crore

Source: NCAER Report, 2011

In 2001-02, LIC sold 55% of its policies in rural India. Of two million BSNL mobile connections, 50% are in small towns / villages. Of the 6.0 lakh villages, 5.22 lakh have a Village Public Telephone (VPT). 41 million Kissan Credit Cards have been issued (against 22 million credit-plus-debit cards in urban), with cumulative credit of Rs. 977 billion resulting in tremendous

liquidity. Of the 20 million Rediffmail sign-ups, 60% are from small towns. 50% of transactions from these towns are on Rediff online shopping site. 42 million rural households (HHs) are availing banking services in comparison to 27 million urban HHs. Investment in formal savings instruments is 6.6 million HHs in rural and 6.7 million HHs in urban.

### OPPORTUNITIES OF RURAL MARKETS

In the early 2000s, around 700 million people, i.e. 70% of the Indian population lived in 6,27,000 villages, in rural areas. Of this, 90% were concentrated in villages with population less than 2000. According to a study conducted in 2001 by the National Council for Applied Economic Research (NCAER), there were as many "middle income and above" households in rural areas as there were in urban areas. Infrastructure is improving rapidly - In 50 years only, 40% villages have been connected by road, in next 10 years another 30% would be connected. More than 90% villages are electrified, though only 44% rural homes have electric connections. Rural telephone density has gone up by 300% in the last 10 years; every 1000+ population is connected by STD. Social indicators have improved a lot between 1981 and 2001 - Number of "pucca" houses doubled from 22% to 41% and "kuccha" houses halved (41% to 23%). Percentage of BPL families declined from 46% to 27%. Rural literacy level improved from 36% to 59%. Low penetration rates in rural areas, so there are many marketing opportunities

<b>TABLE 2: COMPARISON OF USAGE B/W URBAN AND RURAL AREAS</b>			
<b>Durables</b>	<b>Urban</b>	<b>Rural</b>	<b>Total (% of Rural HH)</b>
CTV	30.4	4.8	12.1
Refrigerator	33.5	3.5	12
Source: NCAER Report, 2011			

<b>TABLE 3: COMPARISON OF USAGE B/W URBAN AND RURAL AREAS</b>			
<b>FMCGs</b>	<b>Urban</b>	<b>Rural</b>	<b>Total (% of Rural HH)</b>
Shampoo	66.3	35.2	44.2
Toothpaste	82.2	44.9	55.6
Source: NCAER Report, 2011			

---



---

Marketers can make effective use of the large available infrastructure

Post Offices	1,38,000
Haats (periodic markets)	42,000
Melas (exhibitions)	25,000
Mandis (agri markets)	7,000
Public Distribution Shops	3,80,000
Bank Branches	32,000
Source: NCAER Report, 2011	

## WHY DIFFERENT STRATEGIES

The strategies differ from the urban to rural market. The companies which have understood the phenomena of rural market have succeeded in the market, For Ex: HUL, ITC, Colgate, Rajdoot Motorcycle. These companies have done a perfect homework and Implemented in terms of effort and Operations. These companies approach shows that there is a difference between Rural and Urban Market. The Differences can be Infrastructure, Economy, Lifestyle, Socio- Cultural Background, Availability or reach, Habits, Competition, Consumer Behaviour.

- **Infrastructure:** The facilities like Electricity, Internet, Roads and Buildings, Educational Institutions, Financial Institutions, Communication and Organised Market, Other Facilities differs in urban and Rural market. In urban everything gets implemented soon and Availability is also there. Where as in rural market everything takes a good amount of time.
- **Economy:** Here the Economy means, The earning Capacity in a rural Market. The cost of Living always depends upon their way of earning. So, the Income levels are unreliable, as Most of them are depended upon the seasons and Agriculture. So the Income levels cannot be a fixed one.
- **Lifestyle:** The Lifestyle, that is living pattern of both the markets differ a lot. This can be important factor which influences the companies to think of when they approach rural market.
- **Socio-Cultural Background:** Due to the illiteracy level, and Culture adaptability from long time the rural market always gets differ than the urban market. The superstition

---

and other belief as well as the way of thinking towards products and goods differ in these two markets.

- **Availability or Reach:** Due to the areas which are diverted Geographically and Heterogeneous market the reach is very difficult. The logistics for rural market is a tough task than to reach the Urban Market.
- **Habits:** The daily routine of the people makes them to cultivate different habits. Apart from due to the awareness is low in Media terms there will be a difference in the habits.
- **Competition:** The competition in the market for brands and Companies always differ. As in rural markets it is always the channel Partner and Retailer plays a vital role. But where as in Urban Market Brand plays a great role.
- **Consumer Behaviour:** Last but not least, The consumer behaviour is the task for the task for the companies. The mindset of the rural consumer is completely different from Urban Consumer. The Mindset of the consumer is different. For Ex: In urban market, to buy Electronic Item the customer thinks of Brand and Its updated feature. where as in rural market he thinks of in so many ways, such as money, Durability, Buying Capacity and so on. So these mindset makes a difference in both markets.

## THE 4PS AND 4 AS OF RURAL MARKETING

Strategies for Improving Rural Marketing Considering the environment in which Indian rural market operates and other related problems, need of the hour is to evolve more effective strategies for rural marketing which would be in sync with rural physique. The strategies discussed here though not universally applicable depend upon product characteristics, the targeted segment of the rural market, the choice of the rural area and its economic condition.

1. **New product designs** a close observation of rural household items indicates the importance of redesigning or modifying products consumed by rural population. The manufacturing and marketing companies' can think in terms of new product designs like small packs (e.g. sachets) specially meant for rural areas keeping their life, styles in view.
2. **Sturdy products Sturdiness** of a product is an important factor for rural consumers. The product meant for rural areas should be sturdy enough to stand rough handling and storage. Nokia 1100 has positioned itself in the similar manner.

---

3. **Brand name** The rural consumers being value for money customers are more concerned with the utility of the products. Being mostly semi-literate, a brand name and/or logo which can be easily remembered is very essential for rural consumers

**Pricing strategies:**

Pricing strategies are very much linked to product strategies. Some of these strategies are mentioned here.

- **Low cost/cheap products** Pricing strategy for rural market will largely depend upon scope for reducing price of the product to suit the rural incomes and at the same time not compromising with utility and sturdiness of the product. This is a common strategy being adopted widely by many manufacturing and marketing companies. Price point can be kept low by small unit packing.
- **Avoid sophisticated packing:** Adopting cheaper yet durable & aesthetic packaging can bring down the cost, as it is presently being done in the case of biscuits. Some innovation in packaging technology is very necessary for rural markets.
- **Refill packs/reusable packaging:** Such measures have a significant impact on the rural market as it helps in reducing price. Packaging material used should preferably lend itself for reuse. An ideal example in this direction can be the packing of fertilizers. Now companies have started packing fertilizers in LDPE or HDPE sacks, which are not only tamper proof but also reusable for host of domestic chores.

4. **Application of value engineering:** This is a technique which can be tried to evolve cheaper products by substituting the costly raw material with the cheaper one, without sacrificing the quality or functional efficiency of the product, for example in food industry, 'soya protein is being used instead of milk protein. Milk protein is expensive while soya protein is cheaper but the nutrition value is same. This technique yields itself for application in many engineering or product designed areas so that the price can be kept at an affordable level.

## CONCLUSION

There were almost twice as many "lower income households" in rural areas as in urban areas. There were 2.3 million "highest income" households in urban areas as against 1.6 million in rural areas. NCAER projections indicated that the number of "middle income and above" households was expected to grow to 111 million in rural India by 2007, compared to 59 million in urban India. Gone were the days when a rural consumer had to go to a nearby town or city to buy a

---

branded product. The growing power of the rural consumer was forcing big companies to flock to rural markets. At the same time, they also threw up major challenges for marketers. In rural markets, customs and beliefs play an important role in success or failure of any product. Therefore every marketer has to concentrate on rural markets apart from the matured urban markets. The role of government is very vital in solving the problems of rural markets. Development of infrastructure and effective implementation of laws, rules and regulations will protect the interest of rural consumer.

## REFERENCES

1. AMBEKAR YADAV J B (1992), Communication and Rural Development, Mittal Publications (New Delhi). 1992. \ DEVI PRASAD KOTNI V V (2011), BOSE K S, HEMA SUNDAR M, -Andhra Pradesh Marine Fish Exports: Prospects and Problems, Fishing Chimes, Vol.1.30, No.12, March 2011, pp 65 - 68.
2. DEVI PRASAD KOTNI V V (2011), - The Banned Surrogate Marketing as brand new Brand Extension Advertising, International Journal of Research in Commerce and Management (e-Journal), Vol. 2, No.4, April 2011, pp 85-89.
3. Contemporary Management - Issues and Challenges, edited by A.Suryanarayana, K.Kalidas, SmithaSambrani, Y.Jahangir, Himayala Publishing House, Hyderabad, 2010, pp 126-132.ELJELLY, A(2004)
4. MANOHAR LAL JALAN (1988), Marketing of Agricultural Inputs, Himalaya Publishing House (Delhi). 1988. MISRA, S.K. (2000). Indian Economy, Himalaya Publishing House, 18th Edition, p. 739 New Delhi.
5. RAJAGOPAL, Development of Agricultural Marketing in India, Print well (Jaipur). RAVINDRANATH V. BADI AND NARANYANSA V. BADI, Rural Marketing, Himalaya
6. Publishing, 2004. REKHA BALU (2001 ), "Strategic innovation PRADEEP KASHYAP, Rural Marketing, Biztantra publications 2006.NCAER Report, 2011.