

## Rural marketing- challenges, opportunities & strategies

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### Abstract

The paper describes the challenges and strategies of rural marketing in India. The rural market 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. 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 in exploring various strategies to be adopted in the rural market along with the current scenario of rural marketing, highlighting key challenges related to rural marketing.

**Keywords:** rural marketing, marketing, challenges in rural marketing, rural marketing strategies

### Introduction

India lives in villages is an often quoted fact. The Indian rural markets with its vast size and demand base offer great opportunities to marketers. 68.84% of the consumers live in rural areas (83.3 cr as per 2011 census report) and more than half of the national income is generated here. Our nation is distributed approximately in 6,40,867 villages which can be sorted in different parameters such as literacy levels, accessibility, income level, penetration, distance from nearest town etc. It is only natural that rural India occupies an important position in the marketing strategies both in the narrower and broader spectrum. Since 1970's and more particularly from the mid 1980's, the rural economy of India has started showing potentialities. During 90's, there has been a steady shift to as well as growth of purchasing power of rural India. Thus in recent years the rural sector provides a unique opportunity to expand their market since the urban segment is clearly showing signs of saturation.

### Meaning and definition of rural marketing

The term 'rural marketing' used to be an umbrella term for the people who dealt with rural people in one way or other. This term got a separate meaning and importance after the economic revaluation in Indian after 1990. Rural Marketing According to National Commission on Agriculture "Rural marketing is a process which starts with a decision to produce a saleable farm commodity and it involves all the aspects of market structure or system, both functional and institutional, based on technical and economic considerations and includes pre and post harvest operations, assembling, grading, storage, transportation, and distribution".

### Objectives of the study

- To know the Rural Market status in India
- To state different Rural Marketing Strategies

- To highlight the Opportunities and Challenges of Rural Marketing in India.

### Methodology of the study

The study is a descriptive method. The Secondary data is collected from various Published & unpublished Journals, Articles available in various websites, popular Journals, Text Books etc.

### Why rural India?

There are various reasons why every industry is taking a very serious look at rural markets: -About 377 million live in urban India whereas 833 million reside in rural areas, constituting 68.84% of India's population resides in its 6,40,867 villages. Size of rural market is estimated to be 45 million households and rural market has been growing at five times the pace of the urban market.

### Opportunities in Indian rural market

- More than 833 million people
- In financial year 2013-14, LIC sold more than 56% of its policies in rural market.
- In last 50 years, 45% villages have been connected by road.
- More than 92% villages are electrified, though only 48% rural homes have electric connections.
- Government is providing subsidies to the villagers to use other source of energy like Solar System and is now being used in large amount.
- Number of "pucca" houses increasing day by day.
- Rural literacy level improved from 58.7% to 68.9%.
- Percentage of BPL families declined from 25% to 12%.
- Nearly 30% of coca cola sales come from the rural market
- Consumers in rural market appear to be driving the

double digit 20-25% growth rate that is currently being recorded by the 1450 cr from shampoo market

- Drug sales in rural areas grow at more than 17% against 11-12% in urban market
- Hero Motocorp,s 46% sales are coming from rural market & the share has been consistently rising.
- Tata motor's small commercial vehicle (SCV's) sales increased by 20% & expecting to sell an additional 70000 vehicles in rural market annually.
- Samsung cover 25.1% of rural demand.
- There are 196 Regional Rural Banks in India.
- Automobiles-Rural India accounts for almost 35% of automobile industry sales.
- Fast Moving Consumer Goods (FMCG)-Higher disposable income in the hands of rural households, along with massive promotions by the market players, will take the rural FMCG market from 87,900 crore to a market size of over 106,300 crore.
- Retail-Organized retail in the country currently stands at about USD 30 billion or 6-7% of total retailing. The total retail market is projected to touch USD 1,250 billion by 2020.
- Healthcare-India's healthcare sector is a USD 50 billion opportunity that will grow at about 10% a year for several years. By 2020, it is expected to reach an opportunity size of USD 280 billion.
- Consumer Durables-India's consumer durables market is set to increase by 45% in 2013-14.
- BPO & IT Services-Rural business process outsourcing (BPO) units account for over USD 10 million towards India's IT-BPO revenues.
- Internet & e-Commerce-In a step to increase Internet penetration in rural India, the Government of India (GOI) will create 250,000 nodes for broadband by 2016 that will serve around 750,000 villages.
- Telecommunications-Rural marketing communication is going to emerge in a big way as the users of smart phones are expected to grow from 50 million now to touch 150 million by 2016.

#### **Problems in rural market**

- Small retailers to carry out stock without adequate credit facility.
- Wholesaler & network dealer problems.
- Market research problems.
- Price sensitivity, low brand awareness.
- Highly dispersed & scantily populated market.
- Banking & credit problem.

#### **Challenges of rural marketing in India**

Rural markets with substantial improvement in purchasing power, increasing brand conscious, changing consumption pattern and rapid spread of communication network offers vast untapped potential. It should also be recognized that it is not that easy to operate in rural markets. Because of several attendant problems and inherent characteristics with in the rural markets, rural marketing has become a time consuming affair and requires considerable investment in terms of

availing appropriate strategies with a view to tackle the problems. The major challenges of rural markets are as follows:

**Communication:** Marketing communication in rural markets suffers from a variety of constraints. The literacy rate among the rural consumers is very low. Print media, therefore, have limited scope in the rural context. Apart from low levels of literacy, the tradition-bound nature of rural people, their cultural barriers and their overall economic backwardness add to the difficulties of the communication task. Post, telegraph, and telephones are the main components of the communication infrastructure. These facilities are extremely inadequate in the rural parts of our country

**Availability of appropriate media:** It has been estimated that all organized media in the country put together can reach only 30 per cent of the rural population of India. The print media covers only 18 per cent of the rural population. The radio network, in theory, covers 90 per cent. But, actual listenership is much less. TV is popular, and is an ideal medium for communicating with the rural masses. But, it is not available in all interior parts of the country. It is estimated that TV covers 20 per cent of the rural population. But, the actual viewership is meager. The cinema, however, is a good medium for rural communication. But, these opportunities are very low in rural areas.

**Rural markets and sales management:** Rural marketing involves a greater amount of personal selling effort compared to urban marketing. The rural salesman must also be able to guide the rural customers in the choice of the products. It has been observed that rural salesmen do not properly motivate rural consumers. The rural salesman has to be a patient listener as his customers are extremely traditional. He may have to spend a lot of time on consumer visits to gain a favourable response from him. Channel management is also a difficult task in rural marketing. The distribution channels in villages are lengthy involving more intermediaries and consequently higher consumer prices. In many cases, dealers with required qualities are not available.

**Inadequate banking and credit facilities:** In rural markets, distribution is also handicapped due to lack of adequate banking and credit facilities. The rural outlets require banking support to enable remittances, to get replenishment of stocks, to facilitate credit transactions in general, and to obtain credit support from the bank. Retailers are unable to carry optimum stocks in the absence of adequate credit facilities. Because of this problem, they are not able to offer credit to the consumers. All these problems lead to low marketing activities in rural areas. It is estimated that there is one bank for every 50 villages, showing the poor banking facilities in rural areas.

**Market segmentation in rural markets:** Market segmentation is the process of dividing the total market into a number of sub-markets. 16 The heterogeneous market is broken up into a number of relatively homogeneous units. Market segmentation is as important in rural marketing as it is

in urban marketing. Most firms assume that rural markets are homogeneous. It is unwise on the part of these firms to assume that the rural market can be served with the same product, price and promotion combination.

**Branding:** The brand is the surest means of conveying quality to rural consumers. Day by day, though national brands are getting popular, local brands are also playing a significant role in rural areas. This may be due to illiteracy, ignorance and low purchasing power of rural consumers. It has been observed that there is greater dissatisfaction among the rural consumers with regard to selling of low quality duplicate brands, particularly soaps, creams, clothes, etc. whose prices are often half of those of national brands, but sold at prices on par or slightly less than the prices of national brands. Local brands are becoming popular in rural markets in spite of their lower quality.

**Packaging:** As far as packaging is concerned, as a general rule, smaller packages are more popular in the rural areas. At present, all essential products are not available in villages in smaller packaging. The lower income group consumers are not able to purchase large and medium size packaged goods. It is also found that the labeling on the package is not in the local language. This is a major constraint to rural consumers understanding the product characteristics.

**Lack of physical communication facilities:** The attraction of a market depends not only on its potential but also on its accessibility. A market cannot be exploited as a case of sour grapes. Rural markets in India lack suitable physical communication to facilitate and to attract the Multi National Companies. Nearly 50 percent of the villages in the country do not have all weather roads. Therefore physical communication / distribution to these villages is highly expensive. Even today, most villages in the eastern part of the country are inaccessible during monsoon season. Hence the distribution in rural areas becomes expensive and sometimes not viable also.

**Uneven Distribution & Vastness of Villages:** The type of distribution of population warrants appropriate strategies to decide the extent of coverage of rural markets. Census report 2011 shows that there are 640867 villages in our country. Out of these 17.9 percent of villages have only less than 2000 people and only 1.8 percent having more than 5000 to 10000 people and only 6 percent is having more than 10000 people. This shows the vastness of rural population which indicates the difficulties in reaching rural mass.

**Low Level of literacy:** The rural literacy ratio is low compared to urban areas. As per Census 2011, literacy rate of rural areas is 68.9 percent, where as the figure is 85% percent in the case of urban population. Print media become ineffective since its reach is poor because of low level of literacy. The dependence should be more on cinema, radio and television. However it should be noted that, the reach of TV in rural areas is very less and advertisement through this media is very expensive also.

### **Rural marketing strategies**

The rural market has changed drastically in the past one

decade. A decade ago, the rural market was more unstructured and was not a prioritized target location for corporate. There is no innovative strategies and promotional campaigns. A distribution system did exist, but was feeble. Illiteracy and lack of technology were the other factors leading to the poor reach of products and lower level of awareness amongst villagers. Gradually, corporate realized that there was saturation, stiff competition and clutter in the urban market, and a demand was building up in rural areas. The following are some of the strategies adopted by Companies for Rural Markets for their Products and Services:

**Easy-Way communication:** The companies have realized the importance of proper communication in local language for promoting their products especially in rural market. They have started selling the concept of quality with proper communication and easily understandable way of communications.

**Changing Pattern of Rural Customers:** Now a days villagers are constantly looking forward for new branded products and good services. Indian customer in rural market was never price sensitive, but they want value for money. They are ready to pay premium for the product if the product is offering some extra utility for the premium.

**Best Promotion and Quality Perception:** Companies with new technology are properly capable to communicating its products and services to their customer. There is a trade-off between quality a customer perceives and a company wants to communicate. Thus, this positioning of technology is very crucial. The perception of the Indian about the desired product is changing. Now they know the difference between the products and the utilities derived out of it.

**Developing Specific Products:** Many companies are developing rural-specific products. Keeping into consideration the requirements, a firm develops these products. Electrolux is working on a made for India fridge designed to serve basic purposes: chill drinking water, keep cooked food fresh, and to withstand long power cuts. In Service sector like Insurance they are focusing on micro insurance products for rural segments.

**Focus on Customer Requirement:** All customers want value for their money. They do not see any value associated with the products. They aim for the basic functionality. However, if the sellers provide frills free of cost they are happy with that. They are happy with such a high technology that can fulfill their needs. For example Nokia and Reliance have launched a simple product, which has captured the market.

**Adopting Best localized way of distributing channel:** Proper distribution channels are recognized by companies. The distribution channel could be big scale like super markets. They thought that a similar system can be grown in India. However, they were wrong; soon they realized that to succeed in India they have to reach the nook and the corner of the country. They have to reach the "local Paanwala, Local Baniya or Kirana Shop Owners" only they can succeed. Big

multinational companies in India capture the rural market share in India if they have to go the local market shoe sellers and with the low priced products.

**Segmentation:** Segmentation is the process of dividing a heterogeneous market, into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects. The division is based on the premise, that different people have different preferences.

**Positioning:** Act of designing the company's offering and image so that it occupies a distinctive place in the mind of the target segment. □ Positioning involves:

1. Identifying the unique features of the product as well as the differences of the offer vis-à-vis the competitor's offer. 2. Selecting the differences that have greater competitive advantage and 3. Communicating such advantages to the target audience

**Product Differentiation:** Can be differentiated on the basis of form, features, durability and quality. Coke introduced Chota Coke at Rs 5 for rural. Hero Honda came out with the lower priced Dawn model of motorcycle for the rural buyer. Meswak, Neem and Babool toothpaste are herbal versions of the soap.

**Service Differentiation:** Service may be differentiated in respect of delivery, installation and maintenance. Reliance, a private LPG company, when pitted against the three well entrenched public sector undertakings created service differentiation on the basis of their distribution network and better refilling facility.

**People:** People who are widely respected and admired by consumers. Endorsement of Coca Cola by Aamir Khan (dressed as a villager) or of Sona Chandi Chyavanprash by Sunny Deol. Courteous staff of HDFC Bank.

**Campaign Customisation:** Core values of the brand: Fuel efficiency, technology, style and comfort. It did campaigns such as Puddling ka maharaja in Tamil Nadu and Jashn Josh Ka in AP.

**New Product Development:** Given the rising interest of companies in the rural market, developing new products suitable for the rural market has become an imperative. For eg. Jolly battery operated color television, 5 kg cooking gas cylinder by HPCL, Philips free power radio, LG Washing Machine, Kisan Credit Card, Max Gas LPG cylinder.

**Overall Attractiveness:** One should not be impressed by size alone. This is because in rural, the size of the market may be big but the purchasing power of rural consumers is limited. Population engaged in non-farming activities offers higher per capita prosperity. Also, this segment is more exposed to products and accepts newer products and services more readily.

**Company Objectives and Resource Competencies:** If a company's objective is to achieve long-term sustainable sales

volume by expanding its consumer base, then it has to go rural instead of expecting consumers to come to urban markets to purchase products and services. This is demonstrated by companies like HUL, and Colgate Palmolive, which are reaching rural homes with their products. Smart marketers in rural like HUL initiated Project Shakti pilots have been transformed into mega rural marketing models.

### Suggestions

**Develop new products for the rural market:** Product redesign from the beginning can be done. Marginal changes to existing product will not work effectively. Product must work in hostile conditions in noise, dust and electricity blackouts etc

**Distribution network:** It should be designed to reach highly dispersed rural markets as compared to highly dense urban markets.

**More effective communication:** There is a need to find out the appropriate media, which could reach the hearts of the rural masses. This is required as none of the media like television, print, radio etc has absolute reach to the rural masses.

**Pricing:** Products can be priced to build up volume in the rural market, especially for smaller pack size SKUs.

**Marketing Research:** should be undertaken involving focus groups. Marketers should also build prototypes while strategizing for marketing.

### Conclusion

The rural market of India is fascinating and challenging at the same time. It offers large scope on account of its sheer size and it is growing steadily. Even a small growth can push up the sales of a product substantially, in view of the huge base despite the fact that there are enormous amount of problems. It is an attractive market from this angle also that the urban market is highly competitive, the rural market is relatively quiet. In fact, for certain products, it is a totally virgin market. Economic reforms in India have brought about major changes in the whole market environment. With these changes, rural marketing will become an important playground for our marketers. Successful rural marketing calls for a review of the rural marketing environment, developing proper understanding of the nature and profile of rural consumers, designing the right products to appeal to them, and adopting suitable media as well as appropriate strategies for communication and distribution. It is generally believed that markets are created, not found. This is especially true in case of the rural market of India. It is a market for the truly creative marketer.

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