

Rural Marketing : Challenges & Opportunities

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Abstract

In country like India, where the 70% of the people live in rural area, the rural market holds a lot of marketing potential. There is a wide spread difference in the standard of living between urban and rural India. In order to launch products and develop advertising for rural market there is a need to understand both the rural context and also the consumer.

To expand the market by tapping the countryside, more and more MNC's are foraying into India's rural markets. Among those that have made some headway are Hindustan Lever, Coca-Cola, LG Electronics, Britannia, HDFC Standard Life, Philips, Colgate Palmolive and the telecom companies.

This article provides the opportunity to explore consumers and the type marketing programmes which emphasizes the advertising patterns on consumer dividend that has been successful in emerging markets and more specifically in rural India. First it has been discussed about the marketing opportunity for companies in rural India and then we will focus on some of the unique characteristic of rural India and how this translate into innovative advertising programmes for companies entering the rural market and finally to see the advertising in rural area.

Key words: *Strategies, Acceptability, Affordability, MNC's, Innovation, Challenge and Opportunities*

Objectives of the Research Paper :

1. To study on Present scenario of Indian Rural Market
2. To Study on Problems faced by Indian Rural Market
3. To Study on Emerging Trends of Rural Marketing.
4. To Study on Opportunities given by Rural Market to MNC's

INTRODUCTION

According to the census of India village with clear surveyed boundaries not having a municipality, corporation or board, with density of population not more than 400sq.km and with at least 75 per cent of the male working population engaged in agriculture and allied activities would qualify as rural. According to this definition, there are 6.38,000 villages in the country. Of these, only 0.5 cent has a population above 10,000 and 2 per cent have population between 5,000 and 10,000. Around 50 per cent has a population less than 200.

Interestingly, for FMCG and consumer durable companies, any territory that has more than 20,000 and 50,000 population, respectively, is rural market. So, for them, it is not rural India which is rural. According to them, it is the class-II and III towns that are rural. According to the census of India 2001, there are more than 4,000 towns in the country. It has classified them into six categories-around 400 class-I towns with one lakh and above population (these are

further classified into 35 metros and rest non-metros), 498 class-II towns with 50,000-99,999 population, 1,368 class-III towns with 20,000-50,000 population, 1,560 class-IV towns with 10,000-19,999 population. It is mainly the class-II and III towns that marketer's term as rural and that partly explains their enthusiasm about the so-called "immense potential" of rural India.

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.

From the strict marketing point of view, the market structure in India is dichotomous having rural and urban markets. But many do not concur with this view as they contend that consumer everywhere is a consumer and hence their needs, aspirations, beliefs and attitudes will also be the same. The fact, however, remains that there are certain unique characteristic features which call for separate marketing strategies to be distinctively developed to suit the rural and urban market behavior.

Conditions existing in urban markets at present can also be analyzed in this context. First, the urban markets have almost reached a saturation level that further tapping them with a high profit margin has become difficult. Secondly, competition is becoming tough in urban markets compelling many firms to incur heavy costs in promotional expenditure. Thirdly, the awareness level of urban consumers is high and hence product features have to be changed often. Needless to say this process needs a huge investment which will have a negative impact on profitability. Thus, except perhaps for easy reach the urban markets have become as oasis.

Significance of Rural Markets

The rural markets are estimated to be growing fastly compared to the urban markets. The potentiality of rural markets is said to be like a 'woken up sleeping giant'. These facts are substantiated in a study of market growth conducted by various researches. 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 communities. 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. Sometimes, *rural marketing* is confused with *agricultural marketing* – the later denotes marketing of produce of the rural areas to the urban consumers or industrial consumers, whereas rural marketing involves delivering manufactured or processed inputs or services to rural producers or consumers.

A number of factors have been recognized as responsible for the rural market boom to come into existence:

1. Increase in population and hence increase in demand.
2. A marked increase in the rural income due to agrarian prosperity.
3. Standard of living is also increasing in rural areas.
4. Large inflow of investment for rural development programmes from government and other sources.
5. Increased contact of rural people with their urban counterparts due to development of transport and wide communication network.
6. Increase in literacy and educational level and resultant

inclination to sophisticated lives by the rural folks.

7. Inflow of foreign remittances and foreign made goods into rural areas.
8. Change in the land tenure systems causing a structural change in the ownership patterns and consequent changes in the buying behavior.
9. Rural markets are laggards in picking up new products. This will help the companies to phase their marketing efforts. This will also help to sell inventories of products out dated in urban markets.

The marketing Opportunity for Companies Under Penetrated Rural Market

India is the second largest consumer market in the world with over 1 billion potential consumers and therefore, many companies are now seeing India as a fertile ground for expansion and growth of their market.

Rural and urban potential

Rural – urban profile	Urban	Rural
Population 2001- 02 (mn household)	53	135
Population 2009 – 10 (mn household)	69	153
% Distribution (2001 – 02)	28	72
Market (Towns/Villages)	3,768	627,000
Universe of outlets (mn)	1	3.3

Source: Statistical Outline of India (2001-02), NCAER

The NCAER (National Council for Applied Economic Research) study throws some interesting information on the Indian consumer and there behavior and purchasing power. The following inference can be drawn for the consumer study. First of all the consumers were classified by their propensity to consume. At the Bottom end of the scale are consumers who are in the market for manufactured essential consumables and basic durables. At the top end of the scale is a relatively small but rapidly growing segment for branded international products ranging from automobiles and electronic to cosmetics and garments, often at international price. The middle segment is itself highly differentiated, depending on the products and price sensitive, requiring a targeted approach to product design and pricing. Over the years, the bottom layer is expected to more narrow further while the top level is expected to expand.

India's consumer classes

Distribution of people income-wise

Income Groups	2001-02			2006-07		
	Total	Rural No.	%	Total	Rural No.	%
High	1.48	0.41	27.7	2.96	0.7	23.6
Middle	69.18	4.83	64.8	90.25	59.85	66.3
Low	32.29	29.52	91.42	20.41	95.8	95.7
Total	102.95	74.76	72.6	114.52	80.96	70.7

Source: HLL, NCAER.

Projection of Household income distribution for 2015

Very Rich	5%
Consuming class	54%
Climbers	34%
Aspirants	4%
Destitute	3%

The NCAER study also highlights that the key to growth lies in the rural area, where over 70% of India live. During the period of 90's the main marketing phenomenon is to provide volume growth to all leading companies. Higher rural income driven by the agricultural growth, education, penetration of television has induced the propensity to consumer branded and value added products in rural areas.

Till 1994 Indian government protected the domestic economy and public sector from regulation, and excessively high tariffs. This resulted in low quality product, lack of product differentiation, high price for high quality products. This has led some of the companies to monopolize the market. But after the India joined the world trade organization and adopted the Liberalization, privatization and Globalization policy and opened its market for foreign producer there has been a significant change in the situation. This market-oriented reform has helped to create a favorable environment for Multinational Companies to enter the Indian market.

Thus, the impact of globalization has been felt in rural Indian as much as in urban. But it is a slow phase. It has its impact on target groups like farmers, youth and women. Farmer, today has to 'keep in touch' with latest information and maximize at the both ends (input and output).

Rural Marketing-Challenges and Opportunities

The Indian rural market with its vast size and demand base offers great opportunities to marketers. Two-thirds of countries consumers live in rural areas and almost half of the national income is generated here. It is only natural that rural markets form an important part of the total market of India. Our nation is classified in around 450 districts, and approximately 630000 villages which can be sorted in different parameters such as literacy levels, accessibility, income levels, penetration, distances from nearest towns, etc.

The success of a brand in the Indian rural market is as unpredictable as rain. It has always been difficult to gauge the rural market. Many brands, which should have been successful, have failed miserably. More often than not, people attribute rural market success to luck. Therefore, marketers need to understand the social dynamics and attitude variations within each village though nationally it follows a consistent pattern. While the rural market certainly offers a big attraction to marketers, it would be naive to think that any company can easily enter the market and walk away with sizable share. Actually the market bristles with variety of problems. The main problems in rural marketing are:

Physical Distribution

- Channel Management
- Promotion and Marketing Communication

The problems of physical distribution and channel management adversely affect the service as well as the cost aspect. The existent market structure consists of primary rural market and retail sales outlet. The structure involves stock points in feeder towns to service these retail outlets at the village levels. But it becomes difficult maintaining the required service level in the delivery of the product at retail level.

One of the ways could be using company delivery vans which can serve two purposes- it can take the products to the customers in every nook and corner of the market and it also enables the firm to establish direct contact with them and thereby facilitate sales promotion. However, only the bigwigs can adopt this channel. The companies with relatively fewer resources can go in for syndicated distribution where a tie-up between non-competitive marketers can be established to facilitate distribution.

As a general rule, rural marketing involves more intensive personal selling efforts compared to urban marketing. Marketers need to understand the psyche of the rural consumers and then act accordingly. To effectively tap the rural market a brand must associate it with the same things the rural folks do. This can be done by utilizing the various rural folk media to reach them in their own language and in large numbers so that the brand can be associated with the myriad rituals, celebrations, festivals, melas and other activities where they assemble.

The Indian rural market with its vast size and demand base offers a huge opportunity that MNCs cannot afford to ignore. With 128 million households, the rural population is nearly three times the urban.

As a result of the growing affluence, fuelled by good monsoons and the increase in agricultural output to 200 million tonnes from 176 million tonnes in 1991, rural India has a large consuming class with 41 per cent of India's middle-class and 58 per cent of the total disposable income.

The importance of the rural market for some FMCG and durable marketers is underlined by the fact that the rural market accounts for close to 70 per cent of toilet-soap users and 38 per cent of all two-wheeler purchased.

The rural market accounts for half the total market for TV sets, fans, pressure cookers, bicycles, washing soap, blades, tea, salt and toothpowder. What is more, the rural market for FMCG products is growing much faster than the urban counterpart.

One very fine example can be quoted of Escorts where they focused on deeper penetration. In September-98 they established rural marketing sales. They did not rely on T.V or press advertisements rather concentrated on focused approach depending on geographical and market parameters like fares, melas etc. Looking at the 'kuchha' roads of village

they positioned their mobike as tough vehicle. Their advertisements showed Dharmendra riding Escort with the punchline 'Jandar Sawari, Shandar Sawari'. Thus, they achieved whopping sales of 95000 vehicles annually.

One more example, which can be quoted in this regard, is of HLL. A year back HLL started 'Operation Bharat' to tap the rural markets. Under this operation it passed out low-priced sample packets of its toothpaste, fairness cream, Clinic plus shampoo, and Ponds cream to twenty million households. Thus looking at the challenges and the opportunities which rural markets offer to the marketers it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage.

Emerging Trends in Rural Markets

Online Rural Market (internet, Nicnet)

Rural people can use the two-way communication through on-line service for crop information, purchases of Agri-inputs, consumer durable and sale of rural produce online at reasonable price. Farm information online marketing easily accessible in rural areas because of spread of telecommunication facilities all over India. Agricultural information can get through the Internet if each village has small information office.

Information Through Local Agriculture Input Dealers

Most of the dealers have direct touch with the local farmers; these farmers need awareness about pests, disease, fertilizers, seeds, technology and recent developments. For this information, farmers mostly depend on local dealers. For development of rural farmers the government may consider effective channel and keep information at dealers, for farmer education hang notice board and also train the dealer recent changes and developments in agriculture.

National Chain Stores: large number of stores set up in different rural areas throughout the country by the same organization for marketing its products. Thus national chain stores can serve large number of customers in rural area.

Cost Benefit Analysis

Cost benefit can be achieved through development of information technology at the doorsteps of villagers; most of the rural farmers need price information of agri-produce and inputs. If the information is available farmers can take quick decision where to sell their produce, if the price matches with local market farmer no need to go near by the city and waste of money & time it means farmers can enrich their financial strength.

Need Based Production

Supply plays major role in price of the rural produce, most of the farmers grow crops in particular seasons not through out the year, it causes oversupply in the market and drastic price cut

in the agricultural produce. Now the information technology has been improving if the rural people enable to access the rural communication, farmers awareness can be created about crops and forecasting of future demand, market taste. Farmers can equate their produce to demand and supply, they can create farmers driven market rather than supply driven market. If the need based production system developed not only prices but also storage cost can be saved. It is possible now a days the concept of global village.

Market Driven Extension

Agricultural extension is continuously going through renewal process where the focus includes a whole range of dimensions varying from institutional arrangements, privatization, decentralization, partnership, efficiency and participation. The most important change that influences the extension system is market forces. There is a need for the present extension system to think of the market driven approach, which would cater the demands of farmers.

Processing Industry

India is the second largest producer of fruits and vegetables in the world with an annual production of more than 110 million tones of fruit and vegetable only 1.3 percent of the output is processed by the organized sector commercially, the reason higher consumption in fresh form. However, as the packaging, transportation and processing capacities increase, the market for processed fruits and vegetables is projected to grow at the rate of about 20 % per annum. 100 % export oriented units (EOU) and Joint venture units required improving the processing industry.

APANAMANDI / KISAN MANDI / RYTHUBAZAAR

There is a need to promote direct agricultural marketing model through retail outlets of farmer's co-operatives in urban areas. The direct link between producers and consumers would work in two ways: one, by enabling farmers to take advantage of the high price and secondly, by putting downward pressure on the retail prices.

Rural Agri- Export

Rural produce, raw fruits and vegetable, processing goods, have the potential market in Asian, Europe and western countries. Particularly south countries have commendable potential for Indian rural produce.

Integrated Marketing

Under this concept, both the supply of inputs and servicing of inputs are undertaken at the same point or by the same company.

RECENT RURAL TRENDS IN INDIA

Trends indicates that the rural the rural markets are coming up in a way and growing twice as fast as the urban, witnessing a rise

in sales of hitherto typical urban kitchen gadgets such as refrigerators, mixer-grinders and pressure cookers. According to a National Council for Applied Economics Research (NCAER), study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas. There are almost twice as many 'low middle income' households in rural areas as in the urban areas. At the highest income level there are 2.3 million urban households as against 1.6 million households in rural areas. According to Mr.D.Shiva Kumar, Business Head (Hair), personal products division, Hindustan Lever Limited, the money available to spend on FMCG (Fast Moving Consumer Goods) products by urban India is Rs.49,500 crores as against is Rs.63,500 crores in rural India.

As per NCAER projections, the number of middle and high-income households in rural India is expected to grow from 80 million to 111 million by 2007. In Urban India, the same is expected to grow from 46 million to 59 million. Thus, the absolute size of rural India is expected to be double that of urban India. Rural income levels are largely determined by the vagaries of monsoon and, hence, the demand there is not an easy horse to ride on. Apart from increasing the geographical width of their product distribution, the focus of corporate should be on the introduction of brands and develop strategies specific to rural consumers. Britannia industries launched Tiger Biscuits especially for the rural market. An important tool to reach out to the rural audience is through effective communication. A rural consumer is brand loyal and understands symbols better. This also makes it easy to sell look-alike. The rural audience has matured enough to understand the communication developed for the urban markets, especially with reference to FMCG products. Television has been a major effective communication system for rural mass and, as a result, companies should identify themselves with their advertisements. Advertisements touching the emotions of the rural folks, it is argued, could drive a quantum jump in sales.

CONCLUSION

Rural markets, as part of any economy, have untapped potential. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India, as also in several other countries, like China, 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.

This article indicates that the rural urban divide is very much there and it will take some time before it zoom and zaps in the rural folk to catch-up with the urban counterpart in relation to the comprehension of TV commercials. Though it is generally believed that the top of the rural hierarchy consist of opinion leaders and educated village youth have some understanding levels as the urban audience, their number is small. A large majority of the rural folk has a mindset that is different from the urban viewers and hence there is a need to tackle them differently. Marketers aiming to target their band commercials to both urban and rural audience will do well to pre-test the

spots and that the spots communicate what is intended for the targeted viewers. The companies should explore the key opportunities and challenges of advertising rural India. To be successful, these companies need to be innovative, dogged and culturally sensitive in developing advertising message strategies.

The key dilemma for MNCs eager to tap the large and fast-growing rural market is whether they can do so without hurting the company's profit margins. The company's product portfolio is essentially designed for urban consumers, and the companies are cautioned from plunging headlong into the rural market as capturing rural consumers can be expensive. Any generalization "about rural India could be wrong and one should focus on high GDP growth areas, be it urban, semi-urban or rural."

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