

A STUDY ON CHALLENGES AND OPPORTUNITIES OF INDIAN RURAL MARKETING

P.SRILATHA

Research Scholar,

University College of Commerce and Business Management,

Osmania University, HYDERABAD

E-Mail: srilatha_peedhapeeli@yahoo.com

ABSTRACT

Since the 1980's the mass rural market was used to attract the marketers in Indian consumer market. The fact that 70% of country's population was unaddressed, which was the major attraction for marketers. In recent time this attraction has increased with the additional money that comes into hands of rural consumers due to green revolution, rise in Agri-produce prices and MNREGA spending. Budget 2013 further strengthens the rural story with MNREGA because there has been a substantial increase in their spending. These initiatives shift the rural consumers towards Brands. Rural market constitute an important segment of overall economy, for example in USA, 55 million people reside in rural areas (Kotni, 2012). Government agencies like IRDA (Insurance Regulatory and Development Authority) and NCAER (National Council for Applied Economics Research) define rural as a village with a population less than 5000 with 75% male population engaged in agriculture, while Hindustan lever, ITC and most FMCG companies define rural as any place with a population below 20,000.

In the recent years rural market have acquired significance and attract the attention of marketers as 68.84% population of India reside in 6, 38,000 villages and overall growth of economy has resulted into substantial increase in the purchasing power of the rural communities. Due to green revolution, the rural areas are consuming a large quantity of industrial and manufactured products. In this way rural market offers opportunities in the form of large untapped market, increase in disposable income, increase in literacy level and large scope for penetration. To take the advantage of these opportunities, a special marketing strategy 'Rural Marketing' has emerged. This paper tries to understand the rural market, importance of rural marketing and status of rural market. The main aim of the study to observe the potentiality of Indian rural markets and find out various problems are being faced by rural marketer

Keywords: Rural market, disposable income, Literacy level, FMCG.

INTRODUCTION

Since the 1980's the mass rural market was used to attract the marketers in Indian consumer market. The fact that 70% of country's population was unaddressed, which was the major attraction for marketers. In recent time this attraction has increased with the additional money that comes into hands of rural consumers due to green revolution, rise in Agri-produce prices and MNREGA spending. Budget 2013 further strengthens the rural story with MNREGA because there has been a substantial increase in their spending. These initiatives shift the rural consumers towards Brands. Rural market constitute an important segment of overall economy, for example in USA, 55 million people reside in rural areas (Kotni, 2012).

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Rural marketing is promotion of a company's product in the rural market by using strategies which differ from the urban market. The rural market is more prices sensitive but it has preference to quality. Rural marketing is confused with agriculture marketing. The later denotes marketing of produce of rural areas to the urban consumers or industrial consumers while rural marketing involves delivering manufactured or processed input or services to rural consumers.

IMPORTANT STAGES IN RURAL MARKETING

Stage I

It was completely an unorganized market where “baniyas and mahajans” dominate the market. Rural marketing was another word for agriculture marketing because, agriculture produces like food grains and industries like cotton, oil seeds, etc. occupied primary attention.

Stage II

The greatest thing which happened in this period was green revolution which led to farming involves scientific and technological methods and many poor villages become prosperous business centers. Rural marketing meant “marketing of agriculture inputs” and “agriculture marketing”. Agencies like khadi and village industries commissions bloomed and government paid attention to promote these products.

Stage III

Since 1990, India's industrial sector had gain strength and maturity. Its contribution to GNP increased substantially. With support and development programs of center and state government rural area progressed socially and economically and emerges as a new market. Rural marketing was considered different from agriculture marketing. Rural marketing define as a function which mange all those activities in assessing, stimulating and converting the purchasing power of rural people into an effective demand for specific products and services and to create satisfaction and better standard of living for achieving organization goals. 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 market for agriculture inputs that include fertilizers, pesticides, and seeds and so on.

OBJECTIVES

1. To study the present scenario of rural market in India.
2. To identify the major opportunities available in the rural market.
3. To study the major challenges faced by marketer in rural market.

RESEARCH METHODOLOGY

The present study is descriptive in nature. The data used is secondary in nature and has been collected from various websites and reputed journals.

Rural India has a population of 83.3 crore spread across 6, 38,000 villages. The rural urban distribution ratio currently is 68.84% and 31.16% respectively.

Share of Rural Population in Total Population

	2015(In Crores)	2016 (In Crores)	Difference(In Crores)
India	131	132.6	1.6
Rural	74.3	82 .3	10.0
Urban	28.6	39.7	11.1

The above table shows that the share of rural in the total population of India. Rural population has been increased by 10% from 20015 to 2016 and comprises of 833 million people as compare to 377 million people in urban area which shows greater opportunities for marketers.

What constitutes rural market? The Census of India defines rural as habitation where population density is less than 400 per sq. Km, and where at least 75% of the male working population engaged in agriculture, and where there is not any municipality or board. Planning Commission of India defines rural as a town having population up to 15,000.

The difference between rural and urban consumers always exists in India. Most of Indian rural consumers are illiterate and poor. Illiteracy leads to inability to identify brand differences and read basic text on packages. Moreover products are sold loose, giving high competition to branded sealed products. Irregular income, induce the rural consumers to buy in small quantities. It is important for rural marketers to provide products in small quantities as well as good credit system for larger products.

Rural share in stock of consumer goods

Stock	1995-96 (in'000)	Share in percent	2001-02 (in'000)	Share in percent	2009-10 (in'000)	Share in percent
Cars/Jeeps	197	7.4	389	6.9	1876	9.3
Motorcycle	2210	45.8	6710	50.4	34724	55.4
Scooters	2496	25.2	4416	29.8	6125	32.0
Mopeds	2096	37.3	3930	42.2	7333	46.6
Automotive	6999	30.5	15445	35.9	50058	42.5
Television	21411	40.7	40605	47.6	63295	44.9
Low cost items	226952	57.9	313892	58.7	521999	58.5

Source: The Great Indian Market, National Council of Applied Economic Research.

The above table shows that the rural share in stock of consumer goods like car/jeeps, motorcycle, scooters, moped, automotive, television, fans, other white goods and low cost items. The rural share in automotive has increased from 30.5% in 1995-96 to 35.9% in 2001-02 and 42.5% in

2009-10, cars/ jeeps from 7.4% in 1995-96 to 9.3 in 2009-10, motorcycle from 45.8% (1995-96) to 50.4 (2001-02) and 55.4 (2009-10), scooters from 25.2% (1995-96) to 29.8% (2001-02) and 32.0 (2009-10), moped from 37.3% (1995-96) to 46.6 (2009-10). Similarly, in television it has registered an increase from 40.7% (1995-96) to 44.9% (2009-10). Thus it is clear from the table that the percentage of rural share in the stock of consumer goods has been raising since 1995-96 to 2009-10.

Rural market status

The market scenario in the rural areas today is changing very rapidly. Rural consumers demand branded products mainly because of increase in disposable income and literacy level. Rural families do not like to cut their expenditure on weddings, pilgrimages, constructions and consumptions. Rural consumers have more aspirations, today this segment of buyers consumes large variety of products, both durable and non-durables and willing to pay right price for right products. Pardeep Kashyap, CEO, MART, says "The rural India has cash in hand and is not bound by EMIs or loans, with the majority of our population based in tier III, tier IV cities and villages. It is right time to penetrate into rural market."

Rural Urban Demand

Difference in the rural urban demand (consumable)

Items		2001-02 (figures in '000)	2009-10 (figures in '000)	Percentage Increase
Cosmetics	Urban	14.6	32.4	130.8
	Rural	8.7	12.6	143.2
Oil	Urban	2428.0	3086.5	71.24
	Rural	5681.6	766.2	42.3
Health products	Urban	96.5	223.4	131.5
	Rural	37.0	88.9	140.2
Soap	Urban	335.9	464.2	38.1
	Rural	569.4	757.7	40.1
Washing Powder	Urban	947.1	1685.4	75.3
	Rural	1552.2	1987.8	83.8

Source: The Great Indian Market, National Council of Applied Economic Research.

From the table we can see that percentage increase in demand shampoos, health beverages, toilet shop, washing cakes and washing powder is more in rural areas as compare to urban area. While in edible oil and packed biscuits increase in demand is more in urban area as compare to rural area. Thus we can say that the consumption of many items areas is increasing at a high speed and higher than the growing demand in urban area

What Rural India Buys?

- Products more often (mostly weekly).
- Buys small packs, low unit price more important than economy.

- Many brands are building strong rural presence without much advertising support, like shampoos, detergent, talcum powder and beauty cream, etc.
- Fewer brand choices in rural areas; number of FMCG brands in rural areas is half of urban area.
- Buys value for money, not cheap products.

IMPORTANCE OF RURAL MARKETING

Rural market is getting importance because of the saturation of urban market. So the marketers are looking for extending their product categories to an unexplored market i.e. the rural market. According to the Nielson's survey the rural market for FMCG (Rs. 65970 crores), durables (Rs. 5,200 crores) and clothing and footwear (Rs. 35,850 crores) was as large as Rs. 1, 06,000 crores in 2008. Certainly the size is much bigger now. According to Nielson by 2025, the rural FMCG sale is estimated to be \$ 100 billion from the current \$ 12 billion. This has also led to the CSR activities being done by the corporate to help the poor people attain some wealth to spend on their product categories. Here, we can think of HLL initiatives in the rural India. One of such product is project Shakti, which is not only helping their company attain some revenue but also helping the poor women of the village to attain some wealth which is surely going to increase their purchasing power.

Rural market is mystery for the companies. Due to lack of deeper insights into the psyche of the rural consumers, companies are hesitant to explore this territory. But local brand like "Ghadi" detergent in Kanpur have been able successfully tap the opportunities presented by rural market. Rural India offers sustainable sales and profit for growth. Growth of rural market is possible due to green revolution and white revolution, which results into substantial wealth generation in rural area. In recent years, rural markets have acquired significance in the country like China and India as the overall growth of the economy has resulted into substantial increase purchasing power of rural communities. Due to green revolution in India, consumption pattern of rural people are changed.

OPPORTUNITIES

The rural market has been growing gradually over the past few years and is now even bigger than the urban market. The saving to income percentage in rural area is 30% higher than urban area. At present 53% of all FMCGs and 59% of consumers durables are being sold in rural area. Major opportunities available in rural market are as follow:

1. Increase in Literacy Rate

Literacy rate is increasing in rural areas. According to census 2011 it stood at 68.9% (2001 census 58.7%).

Increase in Literacy rate

	2001	2011	Difference
India	64.8	75.6	+10.8
Rural	59.7	68.9	+9.2
Urban	79.9	87.0	+7.1

Source: census of India 2011

2. Increasing in disposable income and purchasing power

Projects from private companies and the rural employment initiatives by the Government like MNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) schemes have given the rural population an opportunity to meet their daily needs. Government decided to expand the agriculture loan at lower rate of interest and distribute million of Kisan Credit Cards, has given a boost to the income level to the rural sector. According to advanced estimates of national income released by center statistic organization "The Per Capita income at current prices during 2011-12 is estimated to be Rs. 60,972 compared to Rs. 53,332 during 2010-11 showing a rise of 14.3%. Companies have the opportunity to enter in this new market and take the advantage of increased disposable income.

3. Reduction of Risk during Recession:

It has been observed that companies which cater both urban and rural markets tackle the recession in the better way. The demands for goods in the urban market often follow a cyclic whereas in the rural market it is steady. So companies can safeguard themselves from the harmful effects of recession after entering in the rural market.

4. IT Penetration in Rural India

Today's rural children and youth will grow up in an environment where they have „information access“ to education opportunities, job opportunities, government schemes, and worldwide news and mandi prices. Rural areas offer a great potential for growth in internet usage with the number of claimed internet users in these spaces to be reached at 45million by Dec. 2012, according to the recent IMRB survey, conducted jointly with internet and Mobile Association of India (IMAI). The number of claimed internet users has witnessed a compounded annual growth rate of 73% since Dec. 2010. As the electronic ethos and IT culture moves into rural India, the possibility of change are becoming visible.

5. Infrastructure improving rapidly

In 50 years only, 40% villages have been connected by roads, in next 10 years another 30% would be connected. Rural telephone density has gone up by 300% in the last 10 years. Government of India is planning its most ambitious national program in Jan.2013 to facilitate electricity through decentralized renewable energy sources. The government aims to provide LED lights to around 400million homes that do not have an electricity connection by 2017. Rapid development of rural infrastructure is also major attraction for marketers.

6. Increase Population and hence Increase in Demand

The rural market in India is vast and scattered and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers. More than eighty percent of rural markets in India still do not have access to any sort of organized marketing and distribution. So there is a sea of opportunities for retailers to serve the consumers in rural and semi urban India. CRISIL study estimates that over 60% of India's population would be residing in rural area in 2026.

CHALLENGES

The peculiarities of rural markets and rural consumers pose challenges to marketers in reaching them effectively. There are a large number of small villages which are not easily accessible because of all weather roads. The main challenges of rural marketing are discussed below

1. Transportation problems

Transportation is essential for movement of products from urban production centers to remote villages. In rural India transportation facilities are quite poor. Nearly 80 percentages of villages in the country are not connected by well constructed roads. Many parts of India have kuccha roads. Due to poor transportation facilities it is not possible for a marketer to access the rural market.

2. Warehousing problems

A storage function is necessary because there is a time gap between production and consumption of commodities. Agricultural commodities are produced seasonally but they are demanded over the year so there is need to store them. But in rural areas, there is lack of public as well as private warehousing. Marketers face problems of storage of their goods.

3. Underdeveloped people and underdeveloped markets

Rural society in India is underdeveloped. Modern technology has tried to develop the people and markets in rural areas. But the technology has made very less impact in rural areas.

4. Inadequate media coverage

Media have lots of problem in rural areas. Television is a good source to communicate the message to rural people. But due to non availability of power as well as television sets, majority of rural population cannot get the benefits of various media.

5. Many languages

India is a country of many languages. Language becomes barrier in effective communication in the market efforts. The number of languages vary from state to state, region to region and district to district, etc.

6. Low level of literacy

The literacy rate is low in rural areas as compared to urban areas. Marketers face communication problem due to the lack of literacy rate. Print medium is not much effective and it is irrelevant since its reach is poor. So, low level of literacy becomes challenge for marketers in rural areas.

7. Seasonal demand

Seasonal demand is main problem of rural market. Agriculture situation plays a significant role in the demand of commodities in the rural market because it is the main source of income. Again agriculture depends on monsoon so buying capacity of rural consumers varies. Despite this, many rural areas are not connected by rail transport. Kuccha roads become unserviceable during monsoon

CONCLUSION

The study concluded that rural India offers huge opportunities which companies can tap for their growth and development. However, Companies face many challenges in tackling the rural markets. 933 million people reside in India as compared to 477 millions in urban India so vast untapped opportunities are available in rural India, but marketer unable to tap these opportunities because of lack of infrastructure facilities. Literacy rate is low in rural area so people are unable to identify brand difference. Now trend has gone to change literacy rate in rural area is increasing. Number of middle and higher income household in rural India is expected to grow from 80 million to 121 million. There is rapid development in infrastructure all these opportunities attract companies to target rural market. With some technologies breakthrough in distribution and marketing of products in rural India, companies in rural market can earn more profits, market share, etc. The Rural market is a greater future prospect for the marketers and there are many opportunities available for them in rural markets.

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