

Rising Horizons of Rural Marketing in India

Prof. (Dr.) Priyanka Gite

Professor,
Faculty of Commerce, Banaras Hindu University, Varanasi

Nidhi Taneja

Research Scholar,
Faculty of Commerce, Banaras Hindu University, Varanasi

Abstract

Indian economy is basically a rural economy. Here almost 68% of the population resides in rural areas. As such it provides immense opportunities for the organizations to increase their customer base. Though rural people have relatively low disposable income as well as consumption rate compared to their urban counterparts, yet they have aspirations and wants for most of the urban products. The factors that have contributed to the rising aspirations and demands among rural buyers are increase in literacy levels, urban migration, developed media and telecommunication network, availability of credit and micro financing schemes, rising globalization, cheaper technology products (such as television, mobile, camera, etc.), government sponsored employment generating schemes such as MGNREGA, tax concessions and loan waivers etc. Rural population has become more informed and conscious about the quality, price and availability of the products. Rural Marketing involves assessing, stimulating and converting the purchasing power of rural consumers into effective demand for specific products and services to create satisfaction and a better standard of living for achieving organizational goals. Various companies have started following the strategies to enter rural market.

This paper explores the Indian rural market scenario; opportunities available to marketers who are willing to enter these markets and also the challenges ahead. The paper also discusses various strategies to enter rural markets and cites some examples of corporates who have taken good initiatives to tap potential market and have succeeded.

Keywords:- Rural marketing, Agricultural marketing, Illiteracy, Fake Branding.

Introduction

Rural marketing, many a times confused with agricultural marketing is a different concept in terms that where the later deals with marketing of agricultural produce in the rural and nearby areas, the former deals with marketing of consumer goods to the rural populace of the country. India is the second largest populous country in the world with maximum population residing in the rural areas. The word 'rural' has been defined differently by various institutions in India. According to Census of India, Ministry of Home Affairs, Government Of India, rural area is defined as "All other areas which are not considered as Urban areas" and Urban areas are classified as :-

- "All places with a municipality, corporation, cantonment board or notified town area committee, etc. (known as Statutory Town)
- All other places which satisfied the following criteria (known as Census Town):
- A minimum population of 5,000;
- At least 75 per cent of the male main workers

engaged in non-agricultural pursuits;

- and , A density of population of at least 400 per sq. km."

National Sample Survey Organization defines rural area as "An area with a population density of up to 400 per square kilometer, Villages with clear surveyed boundaries but no municipal board, and minimum of 75% of male working population involved in agriculture and allied activities."

According to the Planning Commission, a town with a maximum population of 15,000 is considered rural in nature. RBI defines rural areas as those areas with a population of less than 49,000. As such various organizations and companies have their own criteria of defining rural areas. No matter how the rural area is defined but the concept of rural marketing is same for all the companies/organizations. Accordingly Rural Marketing involves assessing, stimulating and converting the purchasing power of rural consumers into effective demand for specific products and services to create satisfaction and a better standard of living for achieving organizational goals.

Green revolution of 1960s gave a socio-economic twist to Indian villages. Increasing knowledge of fertilizers, water resources, HYV seeds, modern farm equipments and methods of farming have changed the villages and its denizens. The per capita income increased and the manner in which they spend their disposable income also changed. According to 2011 census 72.18% of India's population resides in rural areas. As such rural markets are the wonderful opportunities for the companies who aim at penetrating and increasing their consumer base in country like India. Rising globalization and liberalization has infused more number of players in market space who are in cut throat competition with each other. In order to survive in such a market, one cannot only depend upon urban market and hence marketers need to penetrate into rural markets for survival. This is how the concept is gaining momentum these days.

Phases of Rural Marketing

Phase I (Pre 1960)

Rural marketing in this era was synonymous to agricultural marketing. It referred to buying and selling of agricultural produce (food grains, handicrafts etc.) within the villages and to nearby areas. Also products like footwear prepared by local cobblers, handicraft products by rural artisans, earthen pots made by potters etc. were the products which constituted the trade. Basically it was rural to rural or rural to urban marketing.

Phase II (1960-1990)

Emergence of Green revolution in 1960s lead to the increase in agrarian activities in villages and hence the demand for agricultural inputs (HYV seeds, tractors, implements for irrigation, threshers etc.) boomed. This era defined rural marketing in two terms – 'marketing of agricultural inputs and 'traditional marketing of agricultural produce'. The transactions were held both ways- urban to rural (agricultural inputs were transacted from urban areas to rural areas) and rural to urban (agricultural produce including fabrics, handicrafts, safety matches, crackers etc. were transacted from rural to urban areas).

Phase III (Post 1990- the liberalization period)

New Economic Reforms in 1991 opened the Indian economy for the multinational organizations. Slowly and steadily urban markets started saturating with the products and services. Considerable efforts were made by Indian government to improve the socio economic conditions of rural India. Certain large and socially responsible corporate houses like TATAs, BIRLAs, MAFATLALs etc also participated in this move. On the other hand green revolution in 1960s improved the economic scenario of rural India. All these factors created the demand of consumable

and durables in rural areas. This is the period where the rural marketing emerged with new paradigm.

From the above discussion we can conclude that broadly rural marketing in India can be classified under two categories

- ❖ Marketing for consumer goods- which include durables and non durables.
- ❖ Marketing for agricultural inputs- which includes buying and selling of fertilizers, pesticides and seeds etc.

This paper however deals with the first form of rural marketing i.e. marketing of consumer durables and non durables.

Indian Rural Market

India is the country of villages. Approx 68% of India's population reside in rural areas and as such it has great potential of being explored. As per Mckinsey, despite rising urbanisation, 63% of India's population will continue to live in the rural areas even in 2025. NR Bhanumurthy, professor at National Institute of Public Finance and Policy said "Rural consumption has outstripped urban consumption as a result of the government's strategy of inclusive growth, through programmes like MGNREGA. The rise in prices of agricultural commodities as well as loan waiver schemes and stimulus packages benefited rural households. It thus, becomes important for us to study the characteristics of Indian rural market.

- ❖ Agriculture as a major source of income: rural India depends upon the agrarian activities for their source of income. People have irregular income pattern as mostly agricultural activities are seasonal, depending upon monsoons which are irregular. Further the intermediation of mediators in crop mandis has harsh impact on their incomes.
- ❖ Other allied activities are carried out in the villages by blacksmiths, carpenter, washerman, barber, shoemaker, potter, milkman etc. in Indian rural society.
- ❖ Undeveloped and Underdeveloped markets: markets in rural areas are highly underdeveloped or undeveloped as people constituting the markets lack adequate purchasing power.
- ❖ Since per capita income is low, the living standards of people are also low.
- ❖ Illiteracy prevailing in rural areas also creates socio-cultural backwardness. As per 2011 census the literacy level in rural areas is 73% approx.

Opportunities in Rural Marketing

"The future lies with those companies who see the poor as their customers." Says C.K. Prahalad, addressing the Indian CEOs. According to the third annual edition of Accenture Research, "Masters of Rural Markets: From Touchpoints to Trustpoints - Winning over India's Aspiring Rural Consumers," rural consumers are particularly aspirational, striving to purchase branded, high quality products. Significantly, penetration of media and telecom services has changed the way India's rural consumers buy. Consumption pattern of rural consumer has changed a lot during past decades. "The upwardly mobile villager growing vegetables round the year, with milk distribution network to back has emerged as the king of all consumers. "Rural Marketing is

the name of the game and rural India is all set to transform our large urban conglomerates" (Bishnoi & Dhingra). Increase in incomes, rising non-farm employment opportunities, higher aspirations of rural Indians and government's stress on executing rural sustainability schemes are major factors which drive rural market's growth. "According to recent Nielsen estimates, consumption in rural areas is growing at 1.5 times the rate in urban areas, and today's \$12 billion consumer goods market in rural India is expected to hit \$100 billion by 2025."(Kapur, Dawar, & Ahuja, 2014). And hence Indian rural market has become one of the favourite spot of marketers and distributors to look and invest into. Following are the opportunities available to marketers in rural marketing:

Increasing population and increasing demand

Table 1. Population (in Crores)

	2001	2011
India	102.9	121.0
Rural	74.3	83.3
Urban	28.6	37.7

Source: Census of India 2011, Rural Urban distribution of Population (Provisional population totals)

It is evident from the Table 1, that rural population has increased from 74.3 crores to 83.3 crores. Increase in population will automatically increase the demand for products and services in those areas. Rural demand has also

been increasing speedily with the increase in factors such as reach of media and increasing literacy, urban association due to migrants, aspiration of people to live a better quality of life and use urban products etc.

Increase in literacy rate

Table 2. Literacy Rates in %

	2001	2011
India	64.8	74.0
Rural	58.7	68.9
Urban	79.9	85.0

Source: Census of India 2011, Rural Urban distribution of Population (Provisional population totals)

Table 2 clearly shows that literacy level in rural India has increased from 58.7% to 68.9%. Literacy plays an important role while chalking out communication and advertising strategies by the companies. Increase in literacy level will enable companies to communicate effectively about their products and services in rural areas.

Increased per capita income

Per capita income of rural populace has taken an upward shift due to factors like crop diversification (sowing of cash crops, floriculture, horticulture etc.); government

employment schemes like MGNREGA; availability of credit through banks and micro finance facilities; encouragement to self employment, cottage and small scale industries; loan waivers and subsidies provided by government etc. "The real income of rural households is projected to rise from 2.8% in the past two decades to 3.6% in the next two." (Chakraborty & Chakraborty, 2012). Escalating incomes and urban exposure have raised the urge of rural denizens to improve their living standards by taking advantage of new products, service and technology.

Changing socio economic structure

Credit Suisse estimates that approximately 75% of the factories that opened in India in the past decade were in rural areas; which account for almost 55% of the country's manufacturing GDP and 70% of all new manufacturing jobs. As a result, per capita GDP in the rural areas have grown at a compound annual rate of 6.2% since 2000 (Kapur, Dawar, & Ahuja, 2014). This has changed the socio economic structure of rural India empowering them financially.

Improvement in infrastructure

To focus on 'inclusive growth' of the country, government initiated various programs to improve rural India. Improvement in infrastructure initiatives by government has lowered entry barriers for many companies. Steps have been taken to improve road and rail connectivity, electrification of rural areas, building of warehouses to provide storage facilities to farmers, connecting rural areas through telephone network as well as internet etc. "Rural telephone density has gone up by 300% in the last 10 years; every 1000+ pop is connected by STD." (Miryala, 2013)

Challenges in Rural Marketing:

In a country like India where about 750 million dwell in approx 6 lakh villages, it becomes a challenging task to cover the vast area. "Even the powerful marketers like HLL and ITC have recently been able to cover only about 2 to 2.5 lakhs villages while about 1 to 1.5 lakhs villages have been connected through Project Shakti and E-Chaupal initiatives." (Khan & Khan, 2012) Amidst of beautiful opportunities there still lies some challenges which create hurdles before the manufacturers while approaching Indian rural markets. Following are the list of challenges majorly faced by the Indian companies:

Seasonal demand

Since rural economy is based on agriculture, its seasonal character becomes a hindrance. Natural calamities such as drought, excessive rainfall, pest and disease etc. adversely affect the farm produce. Rural demand depends on the monsoons heavily. Therefore, the buying capacity is not stable or regular as in the urban markets.

Problems with transportation

India is a land of approximate 6 lakh villages. Transport helps in moving goods from urban areas to these village areas. Road connectivity to such villages is still a big issue. Majority of villages either have kucchha roads or are not at all connected with roads. Even rail network does not reach to most parts of rural areas. During the monsoons, due to heavy floods, both road and rail transport system is at risk and not an accessible option. Lack of proper roads and rail infrastructure to carry goods to rural areas from urban possess a challenge before marketers.

Lack of appropriate warehouses

Warehouses are used to store products till they reach the end users. Lack of warehouses and cold storages makes product availability a challenging task. Goods with low durability or which require cooling technology to be stored are difficult to deliver in rural areas. Either the organization has to build their own warehouses or they have to increase the frequency of goods delivery which involves additional cost to be borne by the manufacture thereby decreasing its profit margins.

Use of local dialects

India is a land of 22 regional languages and around 2000 local dialects. Rural areas have their own dialects to communicate. Translating advertisements to various local dialects is a costly as well as unmanageable affair. As such marketers face challenges in advertising their products and services to rural consumers.

Inadequate media reach

Indian rural areas are still deprived of appropriate media to connect them with the urban world. Prevailing illiteracy makes the print media almost dysfunctional in rural areas. TV and cinema can be used as a good source of communication but lack of proper electrification makes these sources impractical.

Lack of communication

Communication is still a barrier in rural India due to illiteracy prevailing in such areas. People in extreme rural areas do not even understand Hindi which is the official language of our country. As such communicating in such areas is a challenging task. Due to various lingual and cultural barriers; economic and social backwardness in rural society, it becomes difficult to communicate with rural populace.

Vastness and uneven spread

Population density is very low in rural areas as compared to urban areas. Providing ready availability of goods becomes a challenging task for the marketers in rural areas due to vast and uneven spread. Thus it becomes difficult for the marketers to reach large number of people at affordable cost.

Fake Branding

Local manufactures generally copy the logo and colour schemes of the major brands and name them with similar sounding brand names. Since the local manufactures do not face the huge tax burdens which MNCs or major corporate houses have to bear, their products are lowly priced which make them affordable for the people. Also lack of awareness about the brands make rural people believe the fake products as genuine ones. Availability of these fake brands posits huge challenge before the organizations.

Product positioning

Indian rural market is a unique market with various features viz. unequal distribution of income and wealth, uneven population density, high availability of substitutes as well as fake brands. And above that the problems of transportation and high cost of handling goods aggregate the problems of manufactures. As such it becomes difficult for marketers to position their goods in such highly heterogeneous market.

Strategies in Rural Marketing:

Small unit packaging

As maximum rural population aspires a high standard of living but is highly price conscious, small unit packaging serves the purpose. Organization can easily target rural customers by small unit packaging. For eg : Recharges available in small denomination of Rs 10, 20 and so, Parle-G pack of Rs. 2 and Rs. 5; Shampoo sachet available for Re.1-Rs.3; and similarly hair oil, toothpaste, bathing bars, jam, ketchups, detergents etc available in small packing ranging from Re. 1 to Rs. 10 which is easily accessible by rural populace.

Low price products

One of the best strategies to penetrate into rural market is to lower the prices of products. For eg: when Whirlpool expanded its rural customer base, it lowered the prices so as to capture aspiring rural customers. This helped the organization to increase its market share as well as its profit margins. Similarly Nokia penetrated into rural markets by lowering the price of its handsets by considerable percentage.

Generalization rather than Customization

Since rural India follows a joint family system, products are purchased keeping the whole family's need into consideration rather than individual's preference. Thereby, it is advisable for the organizations to design general purpose products rather than going for customized products so as to keep them cost effective. For eg: DTH companies have planned to design basic set top boxes (covering some basic channels which are viewed by the family as whole) to meet the rural demand.

Rural distribution Network

Marketer should focus on creating distribution network in rural areas, as it will provide employment to rural population and contribute to their prosperity. Including rural populace in the distribution network will help in two ways – one, people will find a continuous source of earning which will enable them to buy more of company's product; secondly, the people in distribution network will spread positive word of mouth to other denizens which will motivate them to buy the products. Eg: ITC e-chaupals and chaupal sagar.

Developing Relationship with Rural Channel Partners:

Developing relationship with rural retailers is an important strategy to convert potential rural market into real demand. Training the retailers and equipping them with appropriate technology to stock their goods proves as a savior strategy to expand the rural customer base.

For eg. Coca-Cola has equipped many rural retailers with big bright-red solar-powered coolers. These are very helpful in areas where power supplies are irregular or do not exist, where merchants cannot otherwise keep drinks cool. The availability of solar coolers in those areas has led to manifold increase in Coca-Cola's rural retail business. Coca Cola also has initiated a drive to train local retailers how to manage their stock, customers, shops, and how to maintain hygiene etc (Kapur, Dawar, & Ahuja, 2014).

Examples of companies taking steps for rural marketing

E-Chaupals and Chaupal Sagar by ITC:

ITC has set up e-chaupals in almost 10 states covering approx 40,000 villages, which buy farmer's produce at attractive prices. ITC announces its latest commodity price through internet or VSAT. If farmers find these prices attractive, they sell their produce to ITC. 'e-Choupal' eliminates wasteful intermediation and multiple handling of farm produce which help farmers to get value for their products. Chaupal Sagar is the rural mall set up by ITC in rural areas which is connected to its e-chaupal network. A farmer coming to sell his produce through the e-choupal can also buy anything he wants through the same network. It is the organized form of retailing providing multiple items under one roof ranging from needles, tooth paste, shirts, televisions, fertilizers and tractors etc. They provide training, investment advice, agricultural expertise and even facilities like banking.

Aadhar by Godrej Agrovet Ltd.:

Aadhar is a joint venture between The Future Group and Godrej Agrovet Ltd. focusing on retail distribution of consumer products and services in rural areas. These stores not only offer complete agricultural solutions and products for the farmers but also a wide range of commodities including food, grocery, apparel, footwear, home appliances, furniture, kitchenware and hardware for the daily requirements of the farmer and his family. Aadhaar develops 'best practices' programs for different crops grown in its region of operations, approaches individual farmers and advises them to implement these programs based on scientific methods like soil micronutrients analysis, seeds, integrated fertilizer management and proper usage of pesticides. This helps in maintaining long term relationship with the farmers.

E-Shakti by Hindustan Unilever Limited:

HUL initiated project Shakti decades ago which equips women with the basic entrepreneurial skills and facilities needed to set up and market FMCG products. During 2012, 40000 Shakti Ammas were provided basic smartphones equipped with specifically designed software which enabled them to receive and place order, keep track of inventory and promotional offers announced by the company. This helped the company to increase their consumer base as well as the margins in rural areas. Reports show that Shakti workforce increased to 48000 during 2012.

Neev by TATA Motors :

Neev is an initiative by TATA Motors to discover new markets (especially rural market) and expand those. Tata Gram Mitras work as a freelancers for this project and receive stipend for their services. They promote the idea of "self empowerment" through vehicle ownership. This has helped Tata to gain approx 20% from this Neev initiative (Barooah, 2015).

Dabur India :

Dabur India used smart phones equipped with local maps enabling the sales force to track potential rural market and increase their consumer base. Company also conducted various fairs and camps during the harvest season, when purchasing power is high so as to advertise for its ayurvedic products. To further extend its rural base Dabur has collaboration with Indian Oil Corporation (IOC), according to which IOC sells Dabur products at its outlets.

Bajaj Electricals Ltd.:

The company launched non-electricity lanterns which run on dry batteries to capture rural market. Since rural India faces electricity problem, and use of kerosene and petroleum products adversely affect the environment, dry cell run lanterns are the perfect substitutes.

Telecom Revolution in Rural India:

Telecom providers such as Airtel, Idea, Aircel, etc. have revolutionized the rural markets by providing their services even in the remote locations. Low priced recharge cards have enabled even a daily wage earner to use a mobile phone. Also the spread of lowly priced data cards have enabled the villagers to use internet facilities and connect to the urban world. Airtel reveals "the carrier has a 32% share of rural mobile telephony market where data consumption is dominated by videos and music."

Nokia mobile and its software 'life tools':

Nokia launched low price mobile phones with long battery backup, torch etc. to cater to the needs of rural India. The phones were priced between the range of 1000-5000. During

2009 Nokia launched its low priced cell phones inbuilt with software known as 'life tools' which helped farmers to get agricultural information, entertainment content and basic education. Nokia also provides buying of cell phones on easy EMIs.

Reach of E-tailers in rural areas:

Many e-tailors have tied up with various distribution companies to widen their reach to rural areas as well. Yatra.com tied up with Fino Paytech to reach to rural masses. Fino Paytech also contracted with snapdeal to launch assisted e-commerce kiosks in rural areas. Amazon India also tied up with Vakrangee to help sell in rural markets.

Conclusion:

Indian rural markets have huge untapped potential in it as 68 % of population dwells in rural India. Companies are gradually realizing the importance of expanding to rural India and directing their efforts towards it. Strategies should be designed keeping the rural needs and demand into consideration so as to penetrate more and more to remote areas. Approx 68% of rural India do provide for ample opportunities with its vast potential but also put some challenges for marketers which demand some unique solutions. Organizations still have a long way to go, but it is clear that the companies will eventually have to explore the rural markets for growth and opportunity.

References and Bibliography

- Barooah, S. B. (2015, Sep 14). How Tata Motors is building its foundation in Bharat. Retrieved dec 9, 2015, from Autocar Professional: <http://www.autocarpro.in/features/tata-building-foundation-bharat-9264>
- Bishnoi, V., & Dhingra, A. RURAL & AGRICULTURAL MARKETING.
- Chakraborty, R., & Chakraborty, A. (2012, may 14). Marketing & Strategy Articles. Retrieved dec 9, 2015, from http://webcache.googleusercontent.com/search?q=cache:http://www.mbaskool.com/business-articles/marketing/2329-indian-rural-market-the-next-big-thing.html&gws_rd=cr&ei=R2dIVsyoD8Oq0gSV-4KICw
- Kapur, M., Dawar, S., & Ahuja, V. R. (2014, june). Unlocking the Wealth in Rural Markets. Harward Business Review.
- Khan, N., & Khan, M. M. (2012). Marketing Revolution in Rural India: Emerging Trends and Strategies (Vol. 1). Journal of Business Administration and Education.

Miryala, R. K. (Ed.). (2013). *Changing Paradigms of Rural Management* (Vol. 1). Zenon Academic Publishing.

http://www.indianmba.com/Faculty_Column/FC1520/fc1520.html

<http://www.thehindubusinessline.com/companies/dabur-india-hindustan-unilevers-tech-route-to-rural-markets/article4915134.ece>

http://www.afaqs.com/news/company_briefs/index.html?id=8986_Godrej+Aadhaar+launches+agri-services+cum+rural+retail+stores+in+Gujarat

http://articles.economictimes.indiatimes.com/2009-06-04/news/27663836_1_rural-markets-shantanu-

das-gupta-whirlpool

http://webcache.googleusercontent.com/search?q=cache:http://articles.economictimes.indiatimes.com/2015-09-18/news/66677641_1_rural-markets-msos-dth-operators&gws_rd=cr&ei=O1loVs6SIMP-ugSm0osw

http://webcache.googleusercontent.com/search?q=cache:http://articles.economictimes.indiatimes.com/2015-08-07/news/65317853_1_rural-markets-amazon-india-yatra-com&gws_rd=cr&ei=pGloVqD6JIPUuQTy95HQBQ