

Rural Marketing in India

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ABSTRACT

The aim of this research is to study the current scenario of Rural Marketing in India, the rural market presents with its various opportunities and challenges, given how diversely populated the rural consumers in India are. The rural market consists of 83.3 crore people and this is what attracts marketers to enter in this market. To market in the territory of rural marketing corporations must understand the rural consumer. There is a shift incoming from urban to the rural marketing as the development and levels of literacy and awareness among the rural consumers is rising and these consumers want value for their money. Marketers when catering to rural consumers need to connect with them and also undertake demonstrations for the better understanding of the rural people. Many innovations in the strategy to market into the rural markets have been undertaken in the past years. This paper aims to understand these innovations and strategies and to understand the rural consumer of India. The future of rural marketing and the development in rural areas is promising in development of rural economies and for the people living in these rural areas a better life.

Keywords: Rural Market, Marketing Strategies, Challenges, Opportunities, Rural-Economic Environment.

INTRODUCTION

Rural India is considered today as a huge storehouse of untapped marketing opportunities, by marketers. Three-fourths of India's population lives in rural areas and 30 percent of our national income is generated by this sector. As a consequence, the standard of living and lifestyles of rural India have also changed for the better, which has generated through the Five Year Plans, the productivity, prosperity and disposable incomes of the rural population have improved. Result of the Green Revolution in agriculture and the White Revolution in dairy, and other developmental activities implemented potential for FMCG in rural India is estimated to be Rs.65000 crores (2005) and it is growing by leaps and bounds.

Initially, rural marketing was reckoned only as marketing of agricultural produce. Because of the special interest taken by the Government, more than 5000 regulated markets have been established in the country to facilitate marketing of farm produce. Adoption of scientific and commercial farming popularized the use of inputs like chemical fertilizers, pesticides, cattle and poultry feeds, high yielding varieties of seeds, and also tractors, tillers and other farm equipments. Thus, the scope of rural marketing started widening. The penetration of television also gave an impetus to provide accessibility to marketers into rural India, for promoting consumer products.

Rural India is today considered to be an untapped market for most FMCG and also for consumer durables. Marketers, including multinationals have recognized this potential and have started entering

into rural market in a significant manner. Near saturation in urban areas has also prompted marketers to look at rural markets.

Rural Markets

Rural Markets are defined as those segments of overall market of any economy, which are distinct from the other types of markets like stock market, commodity markets or Labour economics. Rural Markets constitute an important segment of overall economy, for example, in the USA, out of about 3000 counties, around 2000 counties are rural, that is, non-urbanised, with population of 55 million. Typically, a rural market will represent a community in a rural area with a population of 2500 to 30000.

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.

Background

In India the rural economy contributes nearly half of the country's GDP and the size of the rural market in durables and FMCG is bigger than its urban counterpart. In recent times Rural Marketing has emerged as an important internal sub-division within marketing discipline particularly in the context of a large rural economy like India. But questions like "Is there any difference between rural marketing and mainstream marketing?" have not been answered satisfactorily. Through the course, the participants will be introduced to a more holistic perspective of rural marketing which includes not only urban-to-rural marketing, but also touches issues of intra- rural marketing and rural-to-urban marketing. The developmental angle to rural marketing is also addressed.

Objectives

The course is likely to accomplish one or more of the following objectives:

- To provide an overview of rural markets and emerging perspectives of rural marketing.
- To debate the emerging managerial initiatives and relevant frameworks in rural marketing.
- To review the performance and challenges faced by Rural Marketing in India.

The Environment of Rural Market

As explained earlier, due to various developmental programmes, today, the rural market offers vast untapped potential for the better in rural areas. In order to facilitate full exploitation of the rural market potential, the marketers have to understand the factors involved in the rural marketing environment. The major factors involved are demographics, occupation pattern, income generation, marketing of agri-produce, rural industries, rural communication facilities, infrastructure, buyer behaviour, and changing attitudes, beliefs, values and aspirations of rural consumers.

• Population

According to the 2001 Census, 740 million Indians forming 70 percent of the Indian population live in rural areas. Therate of increase of rural population is also higher than that of urban population.

- **Occupation Pattern**

In spite of economic development, agriculture and related activities constitute the major occupation of majority of rural population, i.e., about 50 percent. About 27 percent form the agricultural labour who are dependent on farming activities. Petty traders and salary earners form a negligible group. Income generation hence depends mainly on agriculture which in turn depends on the vagaries of the monsoon.

- **Income Generation**

Since agriculture is the major occupation, 75 percent of rural income is generated from agriculture and related activities

- **Location**

Compared to the concentration of urban population in smaller geographical areas of about 3700 towns and cities, the rural population is spread over 6,30,000 villages all over India. The density of population in villages depends on the availability of irrigation facilities and arable land.

- **Expenditure Pattern**

The total expenditure on food items is around Rs. 12,000 crore in rural areas as opposed to Rs.6,000 crore in urban areas. The expenditure on non-food items in rural India is 1.4 times that of urban areas. Rural folk spend Rs.65,000 crore on FMCG, Rs. 5,000 crore on durables, Rs. 45,000 crore on agri-inputs. The share of food in the average monthly per capita expenditure (MPCE) continues to show a declining trend in rural India as seen in urban households.

- **Literacy Level**

Rural literacy level is increasing every year. Also, though the urban areas have high level of 80 percent literacy (2001 Census), in terms of numbers it was only 200million persons, while it was 367 million in rural areas. Communication in rural market, therefore, does not pose any problem for marketers. Television has penetrated into rural India with full coverage, which offers excellent reach compared to other media.

- **Land Distribution**

Since the basic resource in agriculture is land, distribution of land becomes a major factor in deciding income distribution in rural areas. About 75 percent of the land holdings account for 25 percent of total cultivated area, while the balance 25 percent of holdings account for 75 percent of land. Due to this uneven pattern of land distribution, income distribution is also uneven. Further, the lower income groups of households are larger in number compared to higher income groups. Sub-division and fragmentation of land holdings is a major problem in rural India where farmers are unable to get benefits of economies of scale. Sub-division and fragmentation of land holding a major problem in rural India where farmers are unable to get benefits of economies of scale.

- **Land Use Pattern**

Rural land use pattern reveals excessive dependence on food crops. About 70 percent of the land under cultivation is used for food crops and only 30 percent is used for commercial crops. The reason is mainly because of subsistence farming, where farmers want to secure their own food requirements. Almost 50 percent of the food crops are going for own consumption of farmers and only the balance is available for marketing. However, the entire lot of commercial crops like cotton, sugarcane, chillies, groundnut and the like goes to the market. Disposable income availability is more with large farmers growing commercial crops. Introduction of high yielding varieties and chemical fertilizers has, however, helped to improve the situation by bringing prosperity to small farmers also. Irrigation facilities have also contributed to speed up the process.

Scope and Opportunities

The basic scope of this novel initiative will be the mutual benefits of the rural entrepreneurs and industries. The entrepreneurs - primary beneficiaries, SHGS - bridge with the community, participating companies/industries and rural consumers have benefitted through a robust commercial relationship. These models of marketing linkages demonstrate a large corporation which can play a major role in reorganizing markets and increasing the efficiency of a rural product generation system. While doing so it will benefit farmers and rural communities as well as shareholders. Moreover, the key role of information technology-provided and maintained by the industry/company for building linkages, and used by local farmers - brings about transparency, increased access to information, and rural transformation. Besides, this strategy of market linkage, addresses the challenges faced by rural entrepreneurs due to institution voids, numerous intermediaries and infrastructure bottlenecks. Moreover, the prime scope of this model is the creation of opportunities for the rural entrepreneurs for product differentiation and innovation by offering them choices. Because of this sustainable market linkages, rural producers can participate in the benefits of globalization and will also develop their capacity to maintain global quality standard. Nonetheless, it creates new stakeholders for the industry sector. And subsequently, they become part of the firms' core businesses. The involvement of the private /industry sector at the rural product and market development can also provide opportunities for the development of new services and values to the customers, which will find application in the developed markets. It will be worth mentioning that building a sustainable market linkage through industry's intervention will also empower the rural mass (producers, farmers & entrepreneurs) to cope with socio-economic problems in the rural society and will ensure economic self-reliance.

Challenges

There are significant challenges to the entire process the most important being the capacity building of the rural entrepreneurs. For decades, the entrepreneurs associated with very conventional/traditional knowledge of business, humiliation with government, so they are likely to look at these initiatives with skepticism. Only consistent performance can convince the skeptics. Therefore, the industries must play a catalytic role to cope with this challenge and should also train the entrepreneurs to develop their managerial and IT skills. On the other hand, the products of the existing and popular brand also stand as threat to the rural products. These global giants (brand) may try to suppress the rural products in the markets with its communication hype.

Therefore, developing alternative and additional market linkages for these products is an absolute necessity. Moreover, the low volumes of rural products, high operating costs, high attrition, and absence of local know how and relationships may also create problem in the process. Henceforth, it is essential to make a way out to cope with these odds. These issues gain added complexity under globalization, where markets are characterised by extreme competition and volatility. While rural products has been perceived traditionally as catering to the local market, or at best, to a wider national market through limited formal channels, the reality of globalization since the 1990s introduced a new dimension to the market for such products.

The issue of rural product generation through industrialization, therefore, needs to be viewed from a new angle and on far more scientific lines. The core of a scientific approach is to understand the market opportunities for rural products along with the country's development priorities and to chalk out a strategy where rural industries have an important role to play. While rural products are forced to

increasingly become part of global supply chains, these products need to adapt themselves, not only according to the changing tastes of the national market, but also according to changes in tastes in the international market.

Therefore, a process is essential to explore the market linkages and capacity building for SHGS through a bottom up approach and continuous dialogue with stakeholders of rural enterprise. This process should ensure the participation of rural people as consumers and producers in the globalization mechanism, with better livelihoods and global access to markets. The real challenge of building a sustainable market linkage starts here.

Rural Economic Environment

The Indian economy has been passing through the trajectory of high growth for several years. The overall Gross Domestic Product (GDP) is estimated to grow at 8.4 per cent, with the agriculture and allied sector projected to bounce back with 3.9 per cent growth during 2005-06. The Government has also been consolidating its fiscal position, creating a conducive climate for investment activities. Investment demand in the economy is picking up, reflecting the growing dynamism in the industrial sector.

The rural section of Indian population is primarily engaged with agriculture, directly or indirectly. The Ministry of Agriculture, the Ministry of Rural Infrastructure, and the Planning Commission of India are the main governing bodies that formulate and implements the policy related to rural economy in India and its subsequent development for the overall growth of the Indian economy.

The main agricultural products that controls the fate of the Rural Economy in India are as follows:-

- Food Grains: Rice, Wheat, Pulses, Cereals, Corn, Maize, Rice Bran Extractions, Sorghum, Soy meal, Suji, Parmal, Lentils, Jowar, Bajra, Chick pea
- Fruits and Nuts: Cashew Kernels, Cashew Nut, Cashews, Almonds, Roasted Dry Fruits, Peanuts, Groundnut, Walnut Kernels, Walnuts, Indian Peanuts, HPS Groundnuts Management in Rural
- Fruits: Bananas, Beans, Cherry, Cucumbers, Dried Fruits, Dried Truffles, Carrots, Lemon, Mandarins, Mango steens, Meslin, Shallots, Apples, Asparagus, Grapes, Oranges, Gherkins, Turnips, Oranges, Papaya, Pineapple
- Vegetables: Potatoes, Bitter gourd, Stripe Gourd, Pumpkin, cauliflower, Cabbage, Tomato, Onion, Green Pepper, Drum Sticks, Lady's finger, Banana, Papaya, Spinach, Cucumber, Mushroom, Mushroom Spawn, Radiata
- Seeds, Buds, Plantation and Related Products: Basil Seed, Cumin seeds, Dill Seed, Buds, Celery Seed, Hybrid Seeds, Sesame Seeds, Sesbania Seed, Sunflower Seeds, Mustard Seeds, Oil Seeds, Plant Products, Plantation, Plants, Psyllium Seed, Fennel Seed, Fenugreek Seed, Herb Seeds, Tamarind Seed, Vegetable Seeds.
- Spices: Black Pepper, Chilli Powder, Chillies, Cinnamon, Cloves, Coriander Powder, Cumin, Curry Powders, Dry Ginger, Dry Red Chilly, Cardamom, Anise, Salt, Onion Powder, Pepper, Fenugreek, Clove, Ginger, Turmeric, Turmeric Powder
- Tea and Coffee: Black Tea, Coffee, Coffee Beans, Darjeeling Teas, Assam Teas, Instant Coffee, Leaf Coffee, Leaf Tea, Packaged Tea, Green Tea, CTC Teas
- Tobacco and Tobacco Products: Beedi, Betel nut Leaves, Betel nut, Bidi Leaves, Chewing Tobacco, Cigarettes, Arecanut, Jarda, Scented Tobacco, Smoking Tobbacco, Snuff, Opium, Pan, Chatni, Pan Masala, Gutkazarda, Zafrani Zarda

- Cotton, Rubber, Jute etc.

Rural Marketing Strategy

1. Fertilisers

During the fifties of the last century, fertilizers were not popular among farmers because of lack of awareness about scientific agricultural practices and fear of using chemicals. Consequent to the Green Revolution and promotional efforts of fertilizer companies and the Government, fertilizer marketing has developed to a high level in India. By the year 2002, annual sales of fertilizer nutrients reached a high level of 19 million tonnes valued at Rs.10,000 crores. Fertilisers consist of nitrogenous, phosphatic, and potassic varieties. Fertiliser marketing in India was a socio-economic phenomenon involving awareness creation, education of farmers on scientific cultivation and balanced application. Ammonium sulphate, urea, super phosphate, diammonium phosphate (DAP), NPK mixtures and potash are popular products. Fertiliser marketing was initially controlled by the Govt. of India, covered by Essential Commodities Act (ECA) and Fertiliser Control Order (FCO). Companies added their names to generic names and marketed, like SPIC urea, FACT

2. Agro-chemicals

These are chemicals used for control of pests, plant diseases, rodents, viruses, etc., and include insecticides fungicides, rodenticides, herbicides and fumigants. The market for agro-chemicals was about Rs.3000 crore in 2001. There are more than 80,000 retail sales points for agro-chemicals. Marketing is co-ordinated by the Central Insecticides Board under the Insecticides Act, 1968. 50 percent of sale of agri-inputs comes from South India, 20 percent from West, and 15 percent each from North and East.

3. Seeds

Initially, seed production, seed multiplication, and marketing were done by the Central and State Seeds Corporations. Private manufacturers also came into the field later, and now MNCs have also started selling seeds in India. Cargi (Monsanto), Pioneer Seeds, Hoechst, ITC, Indo American Hybrid Seed Co., etc., are major players in seed marketing. The latest addition to the seed market is the genetically modified variety like BT cotton seeds.

4. Feeds

In the area of cattle, poultry and aqua feeds, MNCs and domestic corporations are active in rural India. Hindustan Lever and Godrej are leading players in this market. The Operation Flood programme gave a boost to dairy industry, which created increased market potential for cattle feed. Poultry farming and aqua farming are also growing and the feed market is growing along with it.

5. Tractors and Tillers

Mechanised farming had brought in the use of tractors and power tillers in rural areas. Around 2 lakh tractors are produced and sold per year at present, mainly by HMT, Escorts, Eicher, Massey Ferguson, etc. Power tillers are sold by Co-operative societies and rural banks also finance the sale. VST Tillers and Kerala Agro Machinery Corp. Government subsidy was available upto 50% of the cost of such machinery.

6. Irrigation Equipments

Pump sets, motors, pipes and sprinklers are marketed by many private producers. The use of pump-sets is common for majority of farmers, but sprinklers are used mainly by commercial crop growers. The market for these is growing due to shortage of irrigation water.

7. Other Farm Machinery and Inputs

Various other machinery are marketed for agricultural use, including ploughs, seed drill, winnowers, harvesters, threshers, etc. Further, farm tools like sickle, spade, etc., are also sold to farmers. In addition, consumables like electricity, diesel, lubricants, etc., are also marketed in rural areas.

Demographic Characteristics Of Rural India

There are 639,000 villages in India with a total population of 743 million people, accounting for about 72 percent of India's population. This population, however, is distributed across a large number of villages, where many are sparsely populated. In Table A1, we give the distribution of population in villages.

The marketing challenges involved in serving a large number of villages with varying densities of population can be discerned from the data presented in Table A1. About 62 percent of villages have a population below 1,000 and only 3 percent of the villages have a population above 5000.

TABLE-1 Distribution of Population in Villages in India

Population (Number)	No. of Villages	Proportion of Total Villages (%)
Less than 500 people	236,004	37.00
Between 500 and 999	158,124	25.00
Between 1000 and 4000	221,040	35.00
Between 5000 and 9999	15,058	2.00
More than 10,000	3,976	1.00
Total	634,202	100.00

Source: Census of India

Most villages with less than 500 people do not have any shops. These characteristics point toward the complexities of distribution and logistics management. In order to utilize the opportunities that these villages offer at an aggregate level, companies need to develop innovative solutions to make their products and services available to the rural consumers.

Conclusion

The rural market is very large in compare to the urban market as well as it is more challenging market. The consumer wants those products which are long lasting, good, easy to use and cheaper. The income level of rural consumer is not as high as the income level of urban consumers that's why they want low price goods. It is one of the reasons that the sell of sachet is much larger in the rural area in all segments. It is necessary for all the major companies to provide those products which are easy to available and affordable to the consumers. It is right that the profit margin is very low int he FMCG products, but at the same time the market size is much large in the rural area. The companies can reduce their prices by cutting the costs on the packaging because the rural consumers don't need attractive packaging. Application of 4A is also a major task for the major companies in this area. Rural market

has an untapped potential like rain but it is different from the urban market so it requires the different marketing strategies and marketer has to meet the challenges to be successful in rural market.

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