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Strategies of Rural Marketing in India

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ABSTRACT

Rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. The predominantly rural character of India's national economy is reflected in the very high proportion of its population living in rural area. With more than 700 million people living in rural areas, in some 5,80,000 villages, about two—third of its workforce was engaged in agriculture and allied activities with a contribution of 29 percent of India's Gross Domestic Product (GDP), India's economy is predominantly rural in character. India's economy can be thought of as comprising of two main sectors, namely, the Rural Sector and the Urban Sector. The Rural sector is composed of two main sub sectors i.e. the agricultural sub sector and the non— agricultural sub sector. For the past decade, business visionaries have argued that these people, dubbed the “Base of the Pyramid”, make up an enormous, untapped market. Some of the world's biggest, savviest corporations have aimed to address their basic needs — by selling them everything from clean water to electricity and from FMCG to consumer durables. “Improving the lives of billions of people at the bottom of the economic pyramid is a noble endeavour. It can also be a profitable one.” C.K. Prahlad. The paper studies the changing scenario of Indian rural markets and implies some suggestions in improving the marketing strategy in rural selling and market promotion. This paper is an attempt to provide some mettle solutions to these challenges as it studies and follows some successful rural marketing strategies of modern times. This is particular in context of rural sales strategies rural promotion mix.

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Introduction

Rural Marketing can be defined as the process of identifying, anticipating and knowing customer needs, and organizing all the resources of the company to satisfy them. Satisfying the customer's need is primary condition of marketing and essential for existence of any organization. In order to achieve marketing goals, knowledge of consumer behavior is must. The consumer's behavior comprises the acts, processes and social relationships exhibited by individuals, groups and organizations in searching, obtainment, use of, and consequent experience with products and services. An understanding and knowledge of the motives underlying consumer behavior helps a firm in seeking better and more effective ways to satisfy its customers. It helps to select appropriate sales and advertising strategies, and to plan marketing program in a more efficient manner. The rural market of India started showing its potential in the 1960s. The 70s and 80s witnessed its steady development. And, there are clear indications that the 21st century is going to see its full blossoming. In our country, where research on consumer behaviour has been nominal, not much systematized information is available about the rural consumers.

Only a few enlightened companies, known for their marketing orientation, viz., Hindustan Lever, Philips India, Asian Paints, Singer and Larsen and Toubro have made concrete efforts in this direction. But, by and large, we have still to understand the rural buyer, his habits, attitudes and

behaviour, particularly from the marketing point of view. Many assumptions prevail about rural marketing. For instance, one assumption is that the rural buyer is not very discriminating. Once he is persuaded to buy a particular product, he develops a strong affinity for it, and if satisfied, becomes brand loyal. As a result, Indian manufacturers are generally known to prefer selling fewer items at higher prices than selling more items at lower prices. A contrary view is that the rural buyer, being suspicious of the marketer's hard sell techniques, is quite discriminating, and is not easily persuaded.

Meaning and Definition of Rural Marketing

The term „rural marketing“ used to be an umbrella term for the people who dealt with rural people in one way or other. This term got a separate meaning and importance after the economic revaluation in Indian after 1990.

So, before venturing in to the other aspects of rural marketing let us discuss the development of this area in different parts which is briefly explained here.

Part I (Before 1960)

Rural marketing referred to selling of rural products in rural and urban areas and agricultural inputs in rural markets. It was treated as synonymous to „agricultural marketing“. Agricultural produces like food grains and industrial inputs like cotton, oil seeds, sugarcane etc. occupied the central place of discussion during this period.

The supply-chain activities of firms supplying agricultural inputs and of artisans in rural areas received secondary attention. The local marketing of products like bamboo baskets, ropes, window and door frames, and small agricultural tools like ploughs by sellers like black smiths, carpenters, cobblers, and pot makers were emphasized in general.

Part II (1960 to 1990)

In this era, green revolution resulted from scientific farming and transferred many of the poor villages into prosperous business centers. As a result, the demand for agricultural inputs went up especially in terms of wheat and paddies. Better irrigation facilities, soil testing, use of high yield variety seeds, fertilizers, pesticides and deployment of machinery like powder tillers, harvesters, threshers etc. changed the rural scenario. In this context, marketing of agricultural inputs took the importance. Two separate areas of activities had emerged- during this period „marketing of agricultural inputs” and the conventional “Agricultural Marketing”. During this period, the marketing of rural products received considerable attention in the general marketing frame work

Part III (After Mid 1990s)

The products which were not given attention so far during the two earlier phases were that of marketing of household consumables and durables to the rural markets due to obvious reasons. The economic conditions of the country were as such that the rural people were not in a position to buy these kinds of products. Secondly, our market was in a close shape and we never allowed companies (foreign) to operate in Indian market. But we lifted the ban and opened up economy, consequently companies started flourishing in India. The small villages/hamlets were widely scattered making reach difficult and expensive consequently. Rural markets were seen an adjunct to urban market and conveniently ignored. However, since 1990s, India’s industrial sector had gained in strength and maturity. Its contribution to GNP increased substantially. A new service sector had emerged signifying the transformation of agricultural society into industrial society

“Rural marketing can be seen as a function which manages all those activities involved in assessing, stimulating and converting the purchasing power into an effective demand for specific products and services, and moving them to the people in rural area to create satisfaction and a standard of living for them and thereby achieves the goals of the organization”.

Review of Literature

V.K. Bishnoi (2014) ¹ Marketing may aptly be described as the process of defining, anticipating and knowing customer needs, and organizing all the resources of the company to satisfy them. In fact, satisfaction of customer’s needs and wants provides the rationale for the firm’s existence. Knowledge of consumer behaviour, therefore, is vital for a firm to achieve its marketing goals. The consumer’s behaviour comprises the acts, processes and social relationships exhibited by individuals, groups and organizations in searching, obtainment, use of, and consequent experience with products and services.

Pawan Kumar & Neha Dangi (2013)² 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.

Nancy Gulati,& Swati (2013) ³Rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely, rural marketing has emerged. 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 The market for agricultural inputs that include fertilizers, pesticides, seeds, and so on The concept of rural marketing in India is often been found to form ambiguity in the minds of people who think rural marketing is all about agricultural marketing. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas.

Anil Kalotra (2013) ⁴Rural Marketing is defined as a function that manages all activities involved in assessing, stimulating and converting the purchasing power of rural consumers into an effective demand for specific products & services and moving these products & services to the people in rural areas to create satisfaction and a better standard of living and thereby achieving organizational goals” (Iyer, 2010). The process should be able to straddle the attitudinal and socio-economic disparity between the urban and rural customers.

Sumit Mishra (2012)⁵Today the rural market offers a vast untapped potential. Development programs in the field of agriculture and related activities such as health education, communication, rural electrification, etc have improved the lifestyles of village population. Rural India, which accounts for more than 70 per cent of the country’s one billion population (according to the Census of India 2001), is not just

² **Pawan Kumar & Neha Dangi (2013)**, Rural Marketing in India: Challenges and Opportunities International Journal of Management and Social Sciences Research (IJMSSR) ISSN: 2319-4421 Volume 2, No. 8, PP 93-100.

³ **Nancy Gulati,& Swati (2013)** Strategies of Rural Marketing in India International Journal of Management and Social Sciences Research (IJMSSR) ISSN: 2319-4421 Volume 2, No. 10, October

⁴ **Anil Kalotra** Rural Marketing Potential in India – An Analytical Study International Journal of Advanced Research in Computer Science and Software Engineering., Volume 3, Issue 1, ISSN: 2277 128X

⁵ Sumit Mishra (2012) Rural marketing in India – Challenges and opportunities” [SSRN Electronic Journal](#) .

⁷K. Narayanan (2006) Strategies For Rural Marketing By An Organization., Department of Humanities & **Social Sciences** Indian Institute of Technology, Mumbai

¹ **V.K. Bishnoi(2014)**, RURAL & AGRICULTURAL MARKETING .,PP 1-212

witnessing an increase in its income but also in consumption and production. It is in this background that rural marketing has emerged as a special marketing strategy.

K. Narayanan (2006)⁶

A study by the Chennai-based Francis Kanoi Marketing Planning Services says that the rural market for FMCG is worth \$14.4 billion, far ahead of the market for tractors and agri-inputs which is estimated at \$10 billion. Rural India also accounts for sales of \$1.7 billion for cars, scooters and bikes and over one billion dollars of durables. In total, that represents a market worth a whopping \$27 billion. It is no wonder that even MNCs have cottoned on to the idea of a resurgent rural India waiting to happen. Four years ago, Coke ventured into the hinterland. Now Coke's rural growth of 37 per cent far outstrips its urban growth of 24 per cent. Coke is not the first MNC to have cottoned on to the rural lure.

T.P Gopaldaswamy (1995)⁷

India lives in villages is an often quoted fact. The Indian rural markets with its vast size and demand base offer great opportunities to marketers. ¾ th of the consumers live in rural areas (7417 lakhs as per 2001 census report) and more than half of the national income is generated here

Objective of the Study;

- To develop an insight into the term, size and Strategies of Rural Marketing.
- To develop an insight into rural marketing regarding different concepts and Strategies in this area.
- To discuss the emerging problems in Rural Marketing.
- To provide suggestions in order to make the rural marketing a success.

Scope of the Study

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 marketing in india.

Nature and Source of the Data

The study is descriptive in nature. Various websites and books are explored to gather the relevant information

Features of rural Marketing

"The Future of India lies in its villages" – Mahatma Gandhi

With a contribution of 50 % to India's GDP and a population of 70%, the importance of rurals market is not lost on anyone trying to sell their product/service. Moreover, per capita GDP for rural areas has grown at a rate of 6.7 % CAGR as compared to 4.7 % CAGR for urban areas. This signifies that rural incomes are growing and people are buying more goods than ever. Statistic reveal that rural spending on lifestyle products was \$69 billion between 2001 and 2009, significantly higher than urban spending of \$55 billion. The FMCG sector in rural and semi-urban markets is estimated to cross US\$ 20 billion by 2018 and US\$ 100 billion by 2025. The rural FMCG market has grown at a CAGR of 13.2% during the year 2009-15. With much energy focused on the reaching and acquisition aspects, most of the companies tend to ignore the third dimension of retention. Intensifying

competition and price wars make retention of customers a serious challenge. High quality, optimum cost, reliable service and consistent performance remain major obstacles. Low connectivity, diverse consumer behavior and lack of basic amenities like electricity make it highly challenging for the firms to retain their customers and develop brand loyalty.

Strategies for rural marketing;

Rural marketing strategy is based on their A's – Availability, Affordability, Acceptability and Awareness.

The first 'A'-Availability emphasises on the availability of the product for the customers, i.e., this gives importance on effective distribution through efficient channels of distribution.

The second 'A'- Affordability which focuses on product pricing, i.e, this gives importance for smaller packages/pouches easily affordable by families in the rural areas,

The third 'A' – Acceptability focuses on convincing the customers to buy the product, i.e., extending suitable promotional efforts to influence the customers to buy the product. Marketers need to understand the psycho of the rural consumers and then act accordingly.

Rural marketing involves more intensive personal selling efforts compared to urban marketing. Firms should refrain from pushing goods designed for urban markets to the rural areas. To effectively tap the rural market a brand must associate it with the same things the rural consumers do.

This can be done by utilizing the various rural folk media to reach them in their own language and in large number so that the brand can be associated with the myriad rituals, celebration, festivals, melas, fairs and weekly hats.

(e) Rural Distribution Strategy

One of the ways would be using company delivery mass, which can serve two purposes – it can take the products to the customers in every hook 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 large manufactures can adopt this channel. The companies with relatively fewer resources can go in for the syndicated distribution where a tie-up between non-competitive marketers can be established to facilitate distribution.

Back-haul method for the distribution vehicles

Organising a suitable back-hual method for distribution vehicles may prove to be an economic to transport the "urban goods" like soap, detergent, oil, cream, shampoo, tooth paste, and other daily necessary items for the rural consumers and in the return journey, the energy verticals will transport the fruit and vegetables etc. from rural areas to the nearest towns and cities for distribution among the urban consumers.

But this needs a well co-ordinate "VMS" distribution strategy in which the manufacturer, distributor/relation and the customers jointly make a strong distribution chain. Annual "melas" and "fairs" organized are quite popular and provide a very good platform for distribution because profit visits them to make several purchases. According to the Indian Market Research (IMRB) Burean, around 8000 such nulas and fairs are held in the rural India every year.

Rural markets have the practice of faxing specific days in a week as weekly market days, i.e., "Haats" when exchange of goods and services are carried out. This is another potential low cost distribution channel available for the marketers.

⁷ T.P Gopaldaswamy (1995) Rural Marketing Wheeler Publishing house, p.3

Also, every region consisting of several villages is generally served by one satellite town, formed as "Mandia" or Agri-markets where people prefer to go and buy from their commodities. The marketers using their feeder fown will be able to cover a large section of rural population.

The other distribution strategies for the rural population are as under

- i. The general insurance companies may promote their policies of health insurance, crop insurance and vehicle insurance through the existing co-operatives.
- ii. Marketers may arrange more number of wave-houses for storage and re-packaging into smaller pouches for which employing local villages will work profitable and popular.
- iii. All communication in the rural areas must be in the regional language and dialects.
- iv. Markets need to develop innovative packaging technology which would be economic, protective and improve shelf-life of goods.
- v. In addition to focusing on targeted promotions and advertising, there is an urgent need to work on economical packaging, dual pricing and special size of PMCQ and household products.
- vi. Marketers need to place emphasis on retailers directly rather than depending on the wholesalers for distribution in the rural market as this has not proved to be very effective marketing channel.

vii. Marketers targeting the rural market should be well aware about the seasonality of the business. Because the trade is seasonal, employment and disposable income can fluctuate arrange the villages during the year. This means that business should view market research data that relies on yearly aggregate statistics with caution.

Emerging problems in Rural Marketing.:

Conclusion

The vital role rural marketing have to play in the economic development of a developing country, is beyond doubt at present. An intensive effort in order to provide the basic facilities to rural consumers is the need of the hour. Indian rural marketing system should be made much more competitive by infusing competition within the country and preventing the external system equation from interfering with the local markets in the larger interests of the nation

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