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Companies move towards rural marketing- a special emphasis on rural markets of Jammu region

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ABSTRACT

Various companies have and are planning to market their products into the rural areas. This paper basically talks about all those problems that the Co(s) may or have faced in promoting their products in the rural markets. Different challenges exist for the managers in how to best market their brands and establish themselves amongst rural people. In addition to the challenges & hindrances, the report also focuses on many opportunities that basically attract the marketers to come and promote their products. A vast potential exists in the rural areas that has been left unexercised for a long time. Now due to the saturation point that has or is about to be reached in the Urban & Semi-urban markets, the Co(s) are focussing now onto the rural areas and trying to capitalise on the great potential that the rural areas have in store. Thus the research paper covers all these aspects quite extensively to present the deep insights that prevail in the rural market scenario.

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Introduction

The definition of the word 'rural' in a market like India is very amorphous. There are multiple versions of the same idea, which are followed by different entities. Even in the rural marketing space, there is not one concrete definition. Different brands define 'rural' according to their product and service offerings. In a diverse market like India, which has a population of more than 1.17 billion people (estimate till July 2009), the urban-rural divide is quite significant. According to various studies, around 12.2 per cent of the world's population lives in rural India, which also indicates that 29 per cent of the world's rural population lives here.

Marketers in India have been flirting with the idea of rural marketing for some years now. There was a spike in the space in the early parts of 2009 when budgets were under scrutiny and marketers wanted to extract the maximum RoI from every campaign. Barring a few long-term campaigns from FMCG and agribased brands, companies have always kept rural marketing as the second straw in their basket.

Purpose

The major purpose of this research was to find out the different opportunities that the rural market has in store for different kinds of producers and at the same time to identify the various challenges the marketers face while promoting their products in the rural areas.

Literature review

The Literature survey formed an important part of our research, and thus it becomes mandatory to include and focus on this part by a different section. Various research papers were studied and consulted to get an insight into what kind of work had been done and what kind of results have been found by the different researchers. This is briefed as follows, Rural Market has been quite a novel & interesting marketing concept world over. The large population of people living in the rural areas has led and resulted the different marketers as well as producers to target this rural world. Rural markets present

distinct challenges for marketers who are interested to tap this, the goldmine path to which is paved with thorns.

A study by Sudhir Wanmali and Yassir Islam (1995), analyses the spatial distribution of selected regions of three states in India (Andhra Pradesh, Maharashtra and Tamil Nadu) , based on data collected over three decades. An exploratory study by Tao Sun and Guohua Wu (2004) found that Chinese urban and rural customers were different in their attitude towards market mix as they have different needs. A study by Khalid Mahmood (2005), tries to find out the role of multipurpose telecommunication centres in rural development in Pakistan. In a study by Balram Dogra and Karminder Ghuman(2008), various opportunities and challenges faced in rural markets in banking, FMCG , agricultural inputs are discussed in detail.

According to various studies, around 12.2 per cent of the world's population lives in rural India, which also indicates that 29 per cent of the world's rural population lives here. As per the 2001 census, 72.2 per cent of the population lives in about 6,38,000 villages scattered throughout the country. The number of people living in each of the Indian villages also varies considerably. It is found that most of the Indian villages have a population of less than 1,000, while there are only a few villages where more than 10,000 people live. With such a widespread array of consumers, marketers have been finding it difficult to penetrate this vast audience, at least to the extent that they have managed in the urban markets (as per a research done by Jagadeesh Krishnamurthy, an EF research paper, December 2009).

Emphasising the importance of demonstrations as a key element for successful marketing campaign, RV Rajan, Chairman, Anugrah Madison, and Founder-President, Rural Marketing Association of India (RMAI), pointed out that analogies worked better for the audience. "Customisation is the key for any brand communication. It cannot be a Vanilla translation of the brand message; it has to be thought-through, and ensured that the translation is communicating the right brand message," he said. Explaining the need for a long-term

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plan for rural marketing, Rajan added, "Despite, the obvious return on investments from the rural markets on a long-run, corporates are guilty of giving the space a step-motherly treatment. Brands do have sustained marketing campaigns for urban markets. Similarly, it is important for them to have sustained strategies here as well. However, brand managers aim to maximise their contribution to the company through small one-off activations in some corner of the country and move on, which might yield immediate results but cannot be replicated when they come back after a couple of years. Similarly, brand managers also think that if they change the language, the communication plan will work for rural audiences across the country. They are sadly mistaken. It has to be customised for each and every segment of the audience spanning the country, as the attitude and aptitude of the consumers are different."

Observing that media has not penetrated rural regions well enough the way it has been in urban areas, Samir Gupte, Country Head, Ogilvy Action, explained the importance of the media used for communication. He pointed out that various parts of the country could be classified into regions that were media-dark, media-grey and media-live. He said, "According to the IRS, rural Maharashtra has one of the highest media reach, with 51 per cent of the state covered. States like Bihar, Madhya Pradesh and Uttar Pradesh only have media coverage of 23 per cent, 35 per cent and 30 per cent respectively." (Source: IRS) (EF Research paper, December, 2009).

In spite of many challenges, the different companies have been well able to capitalise on the market potential that the rural areas have, the major player have been the FMCG Companies to lead the front.

Globally, the FMCG sector has been successful in selling products to the lower and middle income groups, and the same is true in India. Over 70% of sales is made to middle class households today and over 50% is in rural India. The sector is excited about a burgeoning rural population whose incomes are rising and which is willing to spend on goods designed to improve lifestyle. Also with a near saturation and cut throat competition in urban India, many producers of FMCGs are driven to chalk out bold new strategies for targeting the rural consumer in a big way. MART, the specialist rural marketing and rural development consultancy, has found that 53 per cent of FMCG sales and 59 per cent of consumer durable sales lie in the rural areas. Of two million BSNL mobile connections, 50 per cent went to small towns and villages; of 20 million Rediffmail subscriptions, 60 per cent came from small towns; so did half the transactions on Rediff's shopping site.

According to a study by Chennai-based Francis Kanoi Marketing Planning Services Pvt Ltd, the rural market for FMCG is worth Rs.65,000 crore, for durables Rs 5000 crore, for tractors and agri-inputs Rs.45,000 crore and two- and four-wheelers, Rs.8000 crore. In total, a whopping Rs.123,000 crore. This could be doubled if corporates understood the rural buying behaviour and got their distribution and pricing right. (as per research paper on Social Changes and the Growth of Indian Rural Market : An Invitation To FMCG Sector by S John Mano Raj and Dr. P Selvaraj, April, 2007)

India is now seeing a dramatic shift towards prosperity in rural households. To drive home the potential of rural India just consider some of these impressive facts about the rural sector. As per the National Council for Applied Economic 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 'lower middle income'

Table 2. 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

According to NCAER projections, by 2006 – 07, the lowest income class (i.e.Rs.2500 and below) will shrink by more than 60%. The higher income classes are likely to double by 2006 – 07. This apparently is the result of development work, which happened under the five years plans and other special programmes such as land reforms, rural electrification rural communication, and rural credit facilities, etc. The absolute size of the rural market is thus expected to double that of urban India. But despite the high rural share in these categories, the rural penetration rates are low, thus offering tremendous potential for growth. According to Mr. D. Shivakumar, 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 research paper on Social Changes and the Growth of Indian Rural Market : An Invitation To FMCG Sector by S John Mano Raj and Dr. P Selvaraj, April, 2007).

Objectives

As a result of the pre-hand studies & literature review thus done, we worked on the following objectives throughout our research process:

- To study the different factors that affect the marketing procedures and strategies that the Co. follow while exercising promotional activity in the rural market.
- To identify the challenges faced by the companies while exercising promotional activity in the rural market.

Methodology

The study is based mainly on the primary data collected from employees with the help of a well drafted pre tested structured questionnaire. The universe of the study included all those FMCG companies who were working in different localities of Jammu region. For the selection of sample, a multistage approach of sampling was followed. At the first stage a list of all the FMCG companies was prepared and of these organizations, the following five business organizations were selected randomly on the basis of convenient sampling. At the next stage, a list of all employees working in these companies was prepared with the help of the administrative staff of the organization. All these employees were grouped into three categories.

- Operational staff.
- Supervisory staff
- Administrative staff in FMCG company .

At third stage, the no. of employees from each organization was selected in proportion to employees working in the organization. Thus the total sample of 150 employees was finally selected and the distribution of sample has been presented in following table:

Data Collection

Data were collected from the sample respondents on the pre-structured and pre-tested questionnaire and personal interview method. Questionnaire consisting of three sections were used to collect the data.

Table 1: Mean rating of companies' perception for rural market Strategies

S.no	Attribute	Mean Score	SD
1	Chance to help rural people	3.50	0.90
2	Selling helps in using the talent	3.39	0.87
3	Excitement about improving rural people life	3.39	0.89
4	Focusing keenly on rural people	3.38	0.80
5	Feeling of emotional bond with rural people	3.38	0.97
6	Sense of emotional support to rural people	3.36	0.97
7	Sharing of common bond between urban and rural people	3.33	0.91
8	Try to cover all villages connected with roads	3.29	0.93
9	Take risks at work in rural areas	3.28	0.99
10	Use different approaches for selling in rural areas	3.28	0.87
11	Varying sale styles from rural to urban	3.28	0.89
12	Treat all buyers differently	3.24	0.80
13	Try to distort the truth to make the product more attractive	3.24	1.03
14	Answering Queries of rural people	3.21	1.00
15	Overstating the product features for rural people	3.18	0.97
16	Try to figure out what are the extra needs of rural people	3.16	1.01
17	Evaluate the services that would be better for rural people	3.15	0.93
18	Giving importance to each buyer	3.10	0.95
19	Responsibility of post -sale problems	3.08	0.93
20	Entertaining customers that are not going to buy	2.89	0.99
21	Evaluating the promotional schemes that affect the rural people choice	2.89	0.97
22	Focussing on right product provision to the rural people	2.89	0.97
		2.89	0.93

Table 2: Factor Analysis Results with Varimax Rotation

Attributes	FL	C	EV	PV	FM
Factor 1 Market Segmentation			8.13	26.2	3.07
Treat all buyers differently	0.7946	0.7270			
Giving importance to each buyer	0.7582	0.6977			
Entertaining customers that are not going to buy	0.7316	0.6405			
Factor 2 Need Profile			2.56	8.3	3.06
Try to figure out what are the extra needs of rural people	0.8258	0.7446			
Evaluate the services that would be better for rural people	0.7783	0.6984			
Focussing on right product provision to the rural people	0.6856	0.5948			
Factor 3 Designing Marketing Mix			2.05	6.6	3.15
Use different approaches for selling in rural areas	0.7994	0.7059			
Varying sale styles from rural to urban	0.7831	0.7177			
Evaluating the promotional schemes that affect the rural people choice	0.7236	0.6498			
Factor 4 Level of Awareness			1.94	6.2	3.28
Focusing keenly on rural people	0.8199	0.7549			
Overstating the product features for rural people	0.7773	0.7555			
Factor 5 Viable Infrastructure			1.62	5.2	3.28
Try to cover all villages connected with roads	0.8048	0.7441			
Take risks at work in rural areas	0.7929	0.7481			
Factor 6 CSR Implementation			1.31	4.2	3.40
Chance to help rural people	0.7571	0.6547			
Selling helps in using the talent	0.6990	0.5516			
Excitement about improving rural people life	0.5924	0.6067			
Feeling of emotional bond with rural people	0.5661	0.4799			
Sense of emotional support to rural people	0.5431	0.4111			
Factor 7 Sustainable Rural development			1.06	3.4	3.08
Responsibility of post sales problems	0.7329	0.6186			

The first section contained the questions designed to extract the demographic profile of the selected respondents such as age, income, sex, occupation, marital status, education, family size and family composition, Job experience etc. The second section consisted of twenty two attributes accessing the marketing procedures and strategies that the Co. follow while exercising promotional activity in the rural market. These twenty two attributes were identified through discussion with knowledgeable people in the group, professional advice from academicians and from the available literature. Respondents were asked to rate their perceived satisfaction level toward each of the attribute on a Five point Likert scale ranging from 1(Strongly disagree) to 5 (Strongly agree). The third section consisted of the question the nature of problems faced from the organization etc and in the last necessary suggestions were invited from the respondents based on their perceptions for the quality of work life in their organization

Analysis of Data

The data were analyzed through various statistical tools, account of which has been given below:

Tabular analysis was carried out to study the companies perception about marketing procedures and strategies that they follow while exercising c Mean scores were used to rank the companies perception towards the twenty two attributes accessing promotional activity in the rural market. Principal component method of factor analysis with varimax rotation was employed to reduce the twenty two attributes into a few, correlated and meaningful dimensions. Only items with factor loading of (0.50) or above and Eigen values greater than (1) were extracted.. Before applying the factor analysis Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity was used to test correlation matrix.

Results and Discussions

The perusal of Table 1 reveals that the most important strategy which the companies perceive is the chance to help rural people (Mean score-3.50) which indicates that by pursuing CSR in rural markets, the companies can have sustainability. The other important strategies which the company follow are excitement about rural people life(Mean score-3.39), Focusing keenly on rural people life (Mean Score- 3.38), Try to cover all villages connected with roads(Mean score- 3.29), Use different approaches for selling in rural areas(Mean score-3.28), Treat all buyers differently(Mean score-3.24) etc.

To reduce these twenty two attributes into meaningful factors, varimax method of factor analysis was used and the perusal of table 2 reveals that total seven factors were extracted from these twenty two attributes. Out of these seven factors, the most important factor as perceived by the companies was CSR implementation with factor mean score of 3.40.This clearly explains that if companies have to sustain in rural markets they have to implement corporate social responsibility strategies so that they are able to build a good image first in the eyes of rural consumers and then pursue their profit motives , much like ITC- e choupals. and HUL project Shakti. Five attributes were loaded on this particular factor with factor loadings ranging from 0.543 to 0.757 indicating strong variation contributed by these attributes to the CSR implementation factor. The next important factors were found to be level of awareness and viable infrastructure both with a mean score of 3.28 indicating that both are important prerequisites for a company's presence and sustenance in rural markets. Designing marketing mix, developing need profile of the customers and market segmentation were found to be other important factors to be

considered by the companies operating in the study area. Where FL= Factor loading; C= Communalilty; EV=Eigen value; PV=%age of Variance; FM= Factor mean

Challenges faced by companies in rural region of Jammu=

- Talking about the Rural people, the literacy level is still a problem that creates the challenges for the companies to market their product.
- Lack of awareness about branded products
- Companies need to develop low price and easy usage products for rural markets.
- Rural people are not open to new ideas and have conservative life styles.
- Lack of infrastructure in rural regions of Jammu
- Lack of local skilled manpower
- Higher costs of operating in rural markets in Jammu.

Findings

Thus, as a result of the study thus conducted, we have carved out the following results regarding the Rural Markets. The results are illustrated in the following points:

- On the part of the companies, they are trying to capture more & more of the rural markets in Jammu region, as they have found vast potential in these areas.
- Most of the rural people hear about the new product from the friends and from the retailers as well.
- The most valid reason that exists about the usage of the products by the rural people is the low price & easy usage.
- Hence, this follows that rural people in Jammu are not so much brand conscious but more price conscious.

Conclusion

Thus, we find that there is still a vast potential that remains untapped in the rural markets, similar to talk about the Jammu region. The companies & retailers are trying to cater to the needs of the rural people, but still much is needed to be done ahead. In addition, for the development of the rural markets, the upliftment & development of the rural people is also a critical requirement.

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