

Rural indian
consumer behavior
with a focus
marketing essay



Introduction

According to the Census of India Definition Rural India comprises of all the places not Urban and Urban India is defined as “ all the places that fall within the administrative limits of a municipal corporation, municipality, cantonment board etc or have a population of at least 5, 000 and have at least 75 per cent male working population in outside the primary sector and have a population density of at least 400 per square kilometre”. The rural consumer with a population of 742 million people and comprising of approximately 73 percent of the total consumers has huge potential and cannot be ignored by marketers. A few figures to substantiate the claim

Sector

Estimated Annual Size (in Rs Crore)

FMCG

65, 000

Durables

5, 000

Agri-inputs

45, 000

Two/four wheelers

8, 000

In the recent years, the rural consumers have seen dramatic changes in their lifestyle and it is still in a state of flux; further changing. The misconception that is often carried by people that Rural equals to poor is ill founded.

According to a study by National Council of Applied Economic Research (NCAER) middle income and high income households at a faster pace in rural India than in Urban India to a figure of 111 million[1]. Hence the attractiveness of rural market can be summarized as:

Large Population

Increasing Prosperity

Rising Consumption

Changes in Life Cycle

Life Cycle Advantage

Higher Market growth rate than Urban

Inexpensive marketing

Increasing reach[2]

The government added fresh impetus to the National Rural Employment Guarantee Scheme; its flagship job creation program for rural India which provides guaranteed work for 100 days of a year for the country's poor[3]. During year 2008-09, the scheme provided employment opportunities to more than 44 mn households when compared to a figure of 33 mn

households covered the previous year. The rural road outlay has been upped by close to 60 per cent[4].

Rural population accounts for 70% of the total Indian population and it is increasing at a higher rate in comparison to urban population. We see a basic difference in urban and rural buyers' characteristics while buying any product. Some of the reasons behind this differentiation are:

- Economic situation

- Age and life-cycle stage

- Occupation

- Life style

- Personality and self concept and

- Psychological factors like perception, cognition, and motivation

Buying decision of the consumer of different age, occupation differs from rural to urban area. The rural area is more confined by the customs, traditions, and values which bring a mammoth change in the life style and personality of the rural consumers in comparison to urban area where people are more governed by the western culture. The consumers in the rural areas are restricted to low consumption patterns because of lower per capita incomes whereas in urban areas the consumers are more brand conscious and are ready to pay high.

One of the major differences in rural and urban market is, rural markets are under developed and the consumers are also less aware about the new trends and brands as compared to the urban consumers. Thus we need a different medium of communication for rural markets. Some of the leading sources for promotion in rural market are words of mouth, print, radio, puppetry, melas and folk theatres where as television and print media advertisement are the few of the medium of promotion for urban market.

Another trouble which rural promotions face is language diversification as India never had a common language which could be understood by the masses.

Literature Review

Definition[5]:

“ 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 to them and thereby achieves the goals of the organization.” So we can define rural marketing as not only marketing of goods to rural people but our marketing activities should also encourage the rural consumers to enhance the standard of living by providing high quality product.

As per the paper, the basic model of rural consumer behavior is as follows:

The environment comprises of

-Socio – Cultural factors such as culture, social class, family, groups, role and status in the society

-Economic factors,

-Technological factors and

-Political factors

The mix of market offerings, marketing efforts and these environmental factors yields stimuli in the rural consumers' mind and encourages him to make a purchase. The actual buying process takes place as per the normal stimuli and buying behavior of the consumer.

The buying decision process of rural consumer undergoes following steps.

Need Recognition f" Information search f" Evaluation of alternatives f"

Purchase Decision f" Post purchase behavior

The purchase decision cycle starts with consumer trying to understand the need of the product. In rural India cost is still the major consideration and prime purchases are for essential items. Information search is typically via word of mouth and discussions with the neighbors, friends, and society.

Henceforth, depending upon the need, buying power, and other environmental factors, final decision to select the best alternative to consume is made. All this followed by the post purchase behavior which depends upon the satisfaction or dissatisfaction level of the consumer.

The ultimate objective of all production is consumption for the satisfaction of varied needs of man. A free market economy provides freedom to the consumers to buy and consume goods of their choice[6]. Buying preferences of the consumers send signals to the producers to produce various commodities in required quantities. Producers, therefore, produce only those commodities which are desired by the consumers. Consumer behavior is related to likes and dislikes and expectations of the consumers. Consumer behavior has changed in recent years owing to enhanced awareness, information technology and more importantly governmental intervention through legislations. Thus, the manufacturers are more cautious in dealing with consumers of their respective products.

From another paper[7]the authors puts forward another point of view. The paper recites that despite income and resource constraints, Bottom of Pyramid (BoP) consumers are sophisticated and creative. The buyers are prompted not just by basic needs of survival and physiological but attempt to fulfill higher order needs. These may be either to build social capital or for cultural reasons or even as a compensatory mechanism.

The paper also narrates that firms offering products that also fulfill these higher order needs have a greater chance of success in the market. The practical implication from this can be that BoP markets offer a lot of lucrative opportunities in case treated in the correct manner. When it comes to fulfillment of these higher order needs is that firms should go beyond the mentality of merely removing features or services or providing smaller SKUs in order to make them cheaper. Instead firms should provide products which are more relevant, adaptable to local needs by tailoring the products and <https://assignbuster.com/rural-indian-consumer-behavior-with-a-focus-marketing-essay/>

services to suit specific BOP needs in an efficient manner. In order to make the approach more sustainable we need to enable BoP education and providing marketplace services.

Rural People: Purchasing Branded Products[8]

This paper talks about branding in rural markets. It recites that against the common belief that brands are for rich people, poor people are more loyal to branded products because most the time they do not have a second chance. By second chance we mean to say that if a product does not deliver the expected value, because of limited resources BoP consumers will not be able to buy another new product. The financial risk is too high. So buying branded products is a rational purchase, since it assures the expected deliver. Basically they define what a brand is – consistent and reliable.

What differs among low-income and upper-income consumers is the way they perceive the value proposition of brands, products: that is, the costs-attribute-benefit relationship is perceived. The lower income groups perceive reinforcement of dignity and personalized relationships as more important than among upper income. The promise of inclusiveness lends to the value proposition directed to the low-income consumers, the proposition of exclusiveness is what expands the perception of the product benefits among upper-income consumers.

The paper gives the following consumer behavior characteristics among Brazilian BoP which seem to be different from those of their better-off countrymen:

Stronger need to compensate for a dignity deficit and low self-esteem;
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Different configuration of the perception of value not solely determined by lower prices;

Stronger preference for personalized relationships;

High level of aspiration to feel socially included in society; and a preference for abundance

A book on Consumer Behavior and Rural Marketing in India narrates that in recent years, the lifestyle of a large number of rural consumers in India has changed dramatically and the process of change is on. The buying behavior of the rural consumers is influenced by several factors such as socio-economic conditions, cultural environment, literacy level, occupation, geographical location, efforts on the part of sellers, exposure to media etc. It recites that the consumer movement in India till now has been confined to the middle class citizens in urban areas however, it has started to spread among the masses in rural areas.

There are two distinct segments in the Indian market that require different communication approaches. One set of rural consumers is less educated (even illiterate) when compared to their urban counterparts[9]. They can not read, write and understand with ease. They do not buy branded products. They have their own method of identification of products and communication with retailers. For instance, they ask for “ Erra Sabbu”, (for Lifebuoy), Pacha Sabbu (for Nirma), Neeli Sabbu (for Rin) etc. Rarely do they purchase branded packaged goods or even understand values associated with them.

On the contrary, there is a different segment of consumers – the younger 18-35 years age group. They are educated, more mobile and have urban exposure. They are brand conscious and ask for brands of their choice. Their brand usage and recall rate is comparable to their counterparts in urban areas. The implication to marketers is that they have to design a different communication approach for rural consumers having less receptive capabilities. The less educated can understand information slowly. They can process linear, logical, simplistic communication with a beginning, ending and a sequence of events. In case of message rendering, there is a need to use vernacular language, which is dialect-specific. With low literacy rates, print medium becomes ineffective and to an extent irrelevant in rural areas, since its reach is poor.

One cannot over-emphasize the importance of packaging while dealing with rural markets[10]. Rural residents found that packaging is more helpful in buying, that better packaging contains a better product and that they are more influenced by the ease of storing a package than their urban counterparts. Ease of carriage, package weight, simplicity, transparency and similarity of packaging have comparatively less impact on purchase decisions of rural consumers than urban ones. However, rural consumers are more critical about packaging as they strongly consider that it contributes to misleading buyers and is also an environmental hazard.

Transportation: An Essential Need for Rural Consumer[11]

BoP consumers in urban areas as well as rural areas use public

transportation. They have to spend a large part of their income on

transportation especially those living in urban areas as they are likely to live
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far way from places of employment. According to the WRI-IFC report, BOP accounts for over 60 percent of the total Asian transportation market. On the other hand, those in rural areas have fewer alternatives such as walking, bicycling, animal-drawn carts, infrequent or expensive buses and trains. And this forms one of the major limitations which hamper their economic growth and also burdens the medical care and education for children. The paper talks about how in many developing countries innovative adaptations by consumers have taken place and motorized two wheelers are popular mode of commutation.

Coming specifically to Indian market, the situation is worse and thus it becomes all the more important for consumers to buy vehicles. One of the major uses of which is to commute for business as well as social purpose.

Relevance

It used to be said that India had hundreds of millions of people but no consumers. Until not so long ago, poverty was so widespread that only a tiny upper crust had much purchasing power. But things started changing rapidly in the 1980s, and a new consumer survey suggests that, using wrist watches as a measure, India now has a consuming class of 550m—two-thirds of all households. That should make the marketing men of the world sit up[12].

The National Council of Applied Economic Research (NCAER) tracks changes in consumer behaviour over the years. The results of its 1992-93 survey suggest that the consumer class is much larger than earlier suspected; that the biggest consumption boom is taking place in rural areas; and that even

low-income households at or about the poverty line are significant purchasers of manufactured goods.

In the old days, villagers used to buy unbranded bulk goods—soap was cut into pieces and sold by the kilogram, cloth was sold by the yard, loose tea by the kilo. Nowadays, villagers are willing to pay a premium for packaged and branded goods, because they promise better quality. And the rural rich increasingly buy cars and VCRS. Some 10% of rural households even have washing machines these days—once unthinkable when washerwomen were available at nearstarvation wages.

Ownership of consumer durables seems to be risen sharply (see chart), but the figures are still a long way off 550m. The NCAER gets that figure by assuming that there is one watch to a household, and that all those in that household (five, on average, in India) are therefore potential buyers of reasonably sophisticated manufactured goods. Critics say it is silly to assume that only one person in a household has a watch; and that, even by the NCAER'S calculations, the actual market size is only a fifth of the size of the consuming class. But producers and marketing men are interested in potential, as well as actual, market size. And if India's economic reforms stay on track, the market potential should be converted into reality within a decade.

So why is the countryside booming? Agricultural growth accelerated in the 1980s; roads and electricity reached most villages in the 1980s, helping start new businesses in transport and construction as well as manufacturing. The spread of electricity has raised productivity in the countryside, as well as

increasing rural demand for electrically-driven gadgets. As electricity has spread television, so television has presented India's villagers with the joys of the consuming life.

The left complains that television is persuading the poor to waste their money. The NCAER'S survey will give them ammunition: part of it looks specifically at low-income people—on 18, 000 rupees (\$570) a year or less, just above the poverty line—and finds that they account for 18% of sales of lipstick, 33% of nail polish and 20% of face cream. It was once thought that such people had barely enough to eat, but they buy most of the country's detergent soaps (58%), toilet soaps (80%), as well as 48% of tea, 38% of electric bulbs and 31% of toothpaste. Most countries going through the unpleasant experience of IMF-supervised structural adjustment see GDP, and the income of the poor, fall in the early stages. Many had expected this to happen in India, but the NCAER survey suggests that the poor are not doing too badly.

The survey year, 1992-93, was one of recession for many industries, particularly consumer durables, owing to the prevailing fiscal austerity. But things are easier now, and consumer-goods industries have boomed, so the underlying trend is much stronger even than indicated by the survey. What will the Indian market look like at the the end of the century?

The NCAER thinks the economic reforms will continue, raisin GDP growth to an unprecedented 6-8% a year by the end of the century, with industrial output rising by 11% and services by 8. 9% annually. There will be a small, highly westernised elite keen to exhibit its wealth by spending its money on

the most expensive global brands and large enough to justify local production of luxuries. But the biggest boom will be in mass-consumption goods, where rising literacy and income should increase the demand for quality. Employment and education for women should create a surge in demand for household gadgets that reduce routine work and increase leisure.

On the basis of the various papers and researches read, we came across following factors which may affect the rural consumer behavior while buying two-wheelers.

Social Activities

These are the activities, functions, social dos etc. that the consumer wishes to travel to on the two-wheeler.

Business needs

This depends on the occupation of the consumer. The bike may either be used as a mule to carry goods or just as an accessory for giving the look of serious business.

Cultural Background

Family Size

Influence of Opinion Leader

Status in the area

Purchasing Power

Technological factors

Political factors

Literacy level

Occupation

Geographical location

Efforts on the part of sellers

Exposure to media

Conceptual Framework

Propositions

Study

Results

Conclusion

We realized that the usual methods of research (questionnaires, surveys etc.) would not give the complete picture. So instead, we turned to in-depth interviews with variations of set questions. We basically conducted interviews in various parts of Jamshedpur, to get an overall feel of what the consumers thought about the purchase of two-wheelers. We conducted in-depth interviews with 7 people, all of whom were male (since through initial

research, we had found that the female section has little or nothing to do with the purchase decision of “manly” items such as motorbikes). We spaced our interviews between Dhatkidih, Kandra, Adityapur, Mango and Gamharia, and the villages-of-origin happened to be the outskirts of Jamshedpur, Purulia village and a few other villages in the Jharkhand-West Bengal border.

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We now attempted to

Mileage status decoration