

The concept of rural marketing in india economics essay



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The concept of Rural Marketing in Indian economy has always played an influential role in the lives of rural population of India. In India, except few metropolitan cities, almost all the districts and industrial townships are well connected with rural markets. Though rural marketing is a new concept and ideology in the arena of marketing, it has left a strong feeling among the people that without giving appropriate weight to rural areas and its development, it could never be possible to ensure the overall growth and well being of the country. Since past few years considerable developments are taking place to reconstruct the rural part of India.

Many corporate houses have entered into the field of rural marketing to contribute in rural development of the country. Godrej, Birla, ITC, Reliance and many others has established rural retail hubs as a result of that economic status has been significantly improved. Farmers are getting access to market to sell their product as well as keeping themselves updated and informed regarding the going on trends of market.

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The rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioral factors operating in the country. The rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population.

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 <https://assignbuster.com/the-concept-of-rural-marketing-in-india-economics-essay/>

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. To be precise, Rural Marketing in India Economy covers two broad sections, namely:

Selling of agricultural items in the urban areas

Selling of manufactured products in the rural regions

Some of the important features or characteristics of Rural Marketing in India Economy are being listed below:

With the initiation of various rural development programmes there have been an upsurge of employment opportunities for the rural poor. One of the biggest cause behind the steady growth of rural market is that it is not exploited and also yet to be explored.

The rural market in India is vast and scattered and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers.

The social status of the rural regions is precarious as the income level and literacy is extremely low along with the range of traditional values and superstitious beliefs that have always been a major impediment in the progression of this sector.

The steps taken by the Government of India to initiate proper irrigation, infrastructural developments, prevention of flood, grants for fertilizers, and

various schemes to cut down the poverty line have improved the condition of the rural masses.

Prime Minister Manmohan Singh recently talked about his vision for rural India: “ My vision of rural India is of a modern agrarian, industrial and services economy co-existing side by side, where people can live in well-equipped villages and commute easily to work, be it on the farm or in the non-farm economy. There is much that modern science and technology can do to realise this vision. Rural incomes have to be increased. Rural infrastructure has to be improved. Rural health and education needs have to be met. Employment opportunities have to be created in rural areas.”

‘ Go rural’ is the slogan of marketing gurus after analyzing the socio-economic changes in villages. The Rural population is nearly three times the urban, so that Rural consumers have become the prime target market for consumer durable and non-durable products, food, construction, electrical, electronics, automobiles, banks, insurance companies and other sectors besides hundred percent of agri-input products such as seeds, fertilizers, pesticides and farm machinery. The Indian rural market today accounts for only about Rs 8 billion of the total ad pie of Rs 120 billion, thus claiming 6.6 per cent of the total share. So clearly there seems to be a long way ahead. Although a lot is spoken about the immense potential of the unexplored rural market, advertisers and companies find it easier to vie for a share of the already divided urban pie.

The success of a brand in the Indian rural market is as unpredictable as rain. It has always been difficult to gauge the rural market. Many brands, which

should have been successful, have failed miserably. More often than not, people attribute rural market success to luck. Therefore, marketers need to understand the social dynamics and attitude variations within each village though nationally it follows a consistent pattern looking at the challenges and the opportunities which rural markets offer to the marketers it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage.

A radical change in attitudes of marketers towards the vibrant and burgeoning rural markets is called for, so they can successfully impress on the 230 million rural consumers spread over approximately six hundred thousand villages in rural India.

What rural market buys?

Rural India buys small packs, as they are perceived as value for money.

There is brand stickiness, where a consumer buys a brand out of habit and not really by choice. Brands rarely fight for market share; they just have to be visible in the right place. Even expensive brands, such as Close-Up, Marie biscuits and Clinic shampoo are doing well because of deep distribution, many brands are doing well without much advertising support - Ghadi, a big detergent brand in North India, is an example.

Why Rural Market?

The Indian rural market has a huge demand base and offers great opportunities to marketers. Two-thirds of Indian consumers live in rural areas and almost half of the national income is generated here. The reasons for heading into the rural areas are fairly clear. The urban consumer durable

market for products like colour TVs, washing machines, refrigerators and air conditioners is growing annually at between 7 per cent and 10 per cent.

The rural market is zooming ahead at around 25 per cent annually. “ The rural market is growing faster than urban India now,” says Venugopal Dhoot, chairman of the Rs 989 -crore(Rs billion) Videocon Appliances. “ The urban market is a replacement and up gradation market today,” adds Samsung’s director, marketing, Ravinder Zutshi.

Reasons for improvement of business in rural area

*Socio-economic changes (lifestyle, habits and tastes, economic status)

*Literacy level (25% before independence – more than 65% in 2001)

*Infrastructure facilities (roads, electricity, media)

*Increase in income

*Increase in expectations

MART, the specialist rural marketing and rural development consultancy has found that 53 per cent of FMCG sales lie in the rural areas, as do 59 per cent of consumer durable sales, said its head Pradeep Kashyap at the seminar. 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.

Special features of rural market

Unlike urban markets, rural markets are difficult to predict and possess special characteristics. The featured population is predominantly illiterate,

have low income, characterized by irregular income, lack of monthly income and flow of income fluctuating with the monsoon winds.

Rural markets face the critical issues of Distribution, Understanding the rural consumer, Communication and Poor infrastructure. The marketer has to strengthen the distribution and pricing strategies. The rural consumer expects value for money and owing to has unsteady and meager status of weekly income; increasing the household income and improving distribution are the viable strategies that have to be adapted to tap the immense potential of the market.

Media reach is a strong reason for the penetration of goods like cosmetics, mobile phones, etc., which are only used by the urban people. Increasing awareness and knowledge on different products and brands accelerate the demand. The rural audience are however critical of glamorous ads on TV, and depend on the opinion leaders who introduce the product by using it and recommending it.

Opinion leaders play a key role in popularizing products and influence in rural market. Nowadays educated youth of rural also influences the rural consumers. Rural consumers are influenced by the life style they watch on television sets. Their less exposure to outside world makes them innocent and fascinated to novelties. The reach of mass television media, especially television has influenced the buying behaviour greatly.

Creating brands for rural India

Rural markets are delicately powerful. Certain adaptations are required to cater to the rural masses; they have unique expectation and warrant changes in all four parameters of product, price, promotion and distribution.

A lot is already emphasized on adapting the product and price in terms of packaging, flavouring, etc and in sachets, priced to suit the economic status of the rural India in sizes like Rs. 5 packs and Re. 1 packs that are perceived to be of value for money. This is a typical penetration strategy, that promises to convert the first time customers to repeated customers.

The promotion strategies and distribution strategies are of paramount importance. Ad makers have learnt to leverage the benefits of improved infrastructure and media reach. The television airs advertisements to lure rural masses, and they are sure it reaches the target audience, because majority of rural India possesses and is glued to TV sets!

Distributing small and medium sized packets thro poor roads, over long distances, into deep pockets of rural India and getting the stockiest to trust the mobility is a Herculean task. Giving the confidence those advertisements will support. Sales force is being trained to win the confidence of opinion leaders. Opinion leaders play an important role in popularizing the brand. They sometimes play the role of entry barriers for new products.

The method of promotion needs to be tailored to suit the expectations of the market. Techniques that have proved to be successful are Van campaigns, edutainment films, generating word of mouth publicity through opinion leaders, colourful wall paintings. The Wide reach of television has exposed <https://assignbuster.com/the-concept-of-rural-marketing-in-india-economics-essay/>

the other wise conservative audience to westernization. Panchayat televisions in Tamilnadu carries message that are well received and contribute to community development.

Dynamics of rural markets differ from other market types, and similarly rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer. This, along with several other related issues, have been subject matter of intense discussions and debate in countries like India and China and focus of even international symposia organized in these countries.

Rural markets and rural marketing involve a number of strategies, which include:

- * Client and location specific promotion

- *Joint or cooperative promotion

- *Bundling of inputs

- *Partnership for sustainability

Client and Location specific promotion involves a strategy designed to be suitable to the location and the client. Joint or co-operative promotion strategy involves participation between the marketing agencies and the client. ' Bundling of inputs' denote a marketing strategy, in which several related items are sold to the target client, including arrangements of credit, after-sale service, and so on. Media, both traditional as well as the modern media, is used as a marketing strategy to attract rural customers.

Partnership for sustainability involves laying and building a foundation for continuous and long lasting relationship.

Innovative media can be used to reach the rural customers. Radio and television are the conventional media that are reaching the rural audience effectively. But horse cart, bullock cart and wall writing are the other media, which can carry the message effectively to the rural customers.

Rural marketing is an evolving concept, and as a part of any economy has untapped potential; marketers have realized the opportunity recently. Improvement in infrastructure and reach, promise a bright future for those intending to go rural. Rural consumers are keen on branded goods nowadays, so the market size for products and services seems to have burgeoned. The rural population has shown a trend of wanting to move into a state of gradual urbanization in terms of exposure, habits, lifestyles and lastly, consumption patterns of goods and services. There are dangers on concentrating more on the rural customers. Reducing the product features in order to lower prices is a dangerous game to play.

Rural Market: Areas with high level of expectation

The Indian growth story is now spreading itself to India's hinterlands. 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 witnessing an increase in its income but also in consumption and production.

The Union Budget for 2009-10 hiked the allocation for the National Rural Employment Guarantee Act (NREGA) to US\$ 8. 03 billion, giving a boost to the rural economy. This is in addition to the ambitious Bharat Nirman
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Programme with an outlay of US\$ 34. 84 billion for improving rural infrastructure.

According to a study on the impact of the slowdown on rural markets commissioned by RMAI and conducted by MART, the rural economy has not been impacted by the global economic slowdown, according to a study by the Rural Marketing Association of India (RMAI).

The study found that the rural and small town economy which accounts for 60 per cent of India's income has remained insulated from the economic slowdown. Moreover, rural incomes are on the rise driven largely due to continuous growth in agriculture for four consecutive years.

Moreover, the rural consumer market, which grew 25 per cent in 2008 when demand in urban areas slowed due to the global recession, is expected to reach US\$ 425 billion in 2010-11 with 720-790 million customers, according to a white paper prepared by CII-Technopak. That will be double the 2004-05 market size of US\$ 220 billion.

According to the study, while the durables market shrunk in urban India, the rural market is seeing a 15 per cent growth rate. Fast moving consumer goods (FMCG) sales are up 23 per cent and telecom is growing at 13 per cent.

FMCG

According to figures released by market researcher AC Nielsen, demand for personal care products grew faster in rural areas than urban areas during the period April-September 2009.

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Several FMCG companies such as Godrej Consumer Products, Dabur, Marico and Hindustan Unilever (HUL) have increased their hiring in rural India and small towns in order to establish a local connect and increase visibility.

GlaxoSmithkline Consumer Healthcare (GSK) and Nestle and are now launching products specifically for rural markets. Anand Ramanathan, an analyst from KPMG, said, “ Till recently, most FMCG companies used to treat rural markets as adjuncts to their urban strongholds and rural consumers as a homogeneous mass without segmenting them into target markets and positioning brands appropriately.”

Retail

The rural retail market is currently estimated at US\$ 112 billion, or around 40 per cent of the US\$ 280 billion Indian retail market, according to a study paper, ‘ The Rise of Rural India’, by the Associated Chambers of Commerce and Industry of India (ASSOCHAM).

Major domestic retailers like AV Birla, ITC, Godrej, Reliance and many others have already set up farm linkages. Hariyali Kisan Bazaars (DCM) and Aadhars (Pantaloon-Godrej JV), Choupal Sagars (ITC), Kisan Sansars (Tata), Reliance Fresh, Project Shakti (Hindustan Unilever) and Naya Yug Bazaar are established rural retail hubs.

Pharmaceuticals /Healthcare

According to a report by McKinsey, the rural and tier-II pharmaceuticals market will account for almost half of the growth till 2015. The tier-II market will grow to 44 per cent by 2015, amounting to US\$ 8. 8 billion.

The health ministry is setting up a mechanism to screen people in rural areas for lifestyle diseases such as diabetes. Union Health Minister Ghulam Nabi Azad said that in the case of diabetes, the government was working out a strategy to diagnose those in the age group 30-40 years in rural areas, for diseases.

The multinational drug company, Sanofi-Aventis, has launched ' Prayas', a marketing initiative to market generics in rural areas and small towns. Through this initiative, the company looks to share medical knowledge with a body of practitioners and specialists in rural areas through workshops.

Telecommunication

A joint Confederation of Indian Industries (CII) and Ernst & Young report reveals that of the next 250 million Indian wireless users, approximately 100 million (40 per cent) are likely to be from rural areas, and by 2012, rural users will account for over 60 per cent of the total telecom subscriber base in India.

In a bid to acquire rural subscribers, most Indian telecom operators have started investing in infrastructure to roll out their services in these areas. Realising this as a huge potential, small Indian handset manufacturing companies, including Micromax, Intex Technologies and Karbonn, have lined up a marketing spend of around US\$ 21. 02 million for the financial year 2009-10.

Infrastructure

The World Bank has said that all-weather roads in villages in India have served to double the income of rural households, lift the literacy rate and increase land prices. Meanwhile, the Orissa government had decided to undertake an initiative to improve roadways in rural areas and upgrade 10,000 km of roads in rural areas. The decision was taken at a high level meeting chaired by Mr. Naveen Patnaik, Chief Minister of Orissa in December 2009.

The National Bank for Agriculture and Rural Development (NABARD) has sanctioned an amount of US\$ 34.4 million to the government of West Bengal under the Rural Infrastructure Development Fund (RIDF) XV. NABARD has also sanctioned a US\$ 26.29 million loan to Karnataka for the construction of infrastructure projects, such as secondary schools, rural godowns, jetties, minor irrigation structures, roads and bridges, in rural areas.

Automobiles

Mahindra and Mahindra Group (M&M) arm, Mahindra First Choice, has announced that it is to set up sales and service outlets in rural areas with the target of setting up 100,000 vehicles by 2015, according to M&M President Rajeev Dubey.

Meanwhile, motorcycle manufacturer TVS Motor Co. Ltd has said that it is depending on a far-reaching penetration of the rural market and the launch of new brands to boost the company's growth in 2010.

Services Sector

According to a report based on the 63rd round of survey by the National Sample Survey Organisation (NSSO), 60 per cent of the services sector enterprises in the country are located in rural areas.

Of the 16.5 million services sector enterprises in India in 2006-07, 85 per cent were own account enterprises (OAEs) while the remaining 15 per cent were establishments. Seventy six per cent of the workers employed in these enterprises were employed in the rural areas of the country.

Road ahead

According to international consultancy firm Celent, rural markets in India will grow to a potential of US\$ 1.9 billion by 2015 from the current US\$ 487 million. Rural markets are growing at double the pace of urban markets and for many product categories, rural markets account for well over 60 per cent of the national demand.

The success of the National Rural Livelihood Mission (NRLM), which has so far trained 100,000 rural youth, has led the rural development ministry to request an increase in budgetary allocation for the project. Rita Sharma, Secretary in the Rural Development Ministry, has said that they had sought US\$ 2.29 billion from the Finance Ministry.