

Emergence of Rural Market as a New Market Sphere

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Abstract: The purpose of study is to discuss and elaborate the emergence of rural market which involve marketing of products which flow from urban to rural areas in order to achieve this purpose we first study meaning of rural market and factors which play a key role while formulating consumer behaviour and what steps can be adopted by marketer to make his product acceptable in the rural market and we will also study constraints which affects rural market conditions.

1. INTRODUCTION

DEFINING 'RURAL MARKETING'

Rural marketing involves the conduct of business activities enabling flow of manufactured or processed goods from urban sector to rural regions of the country. 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.

1.1 ANALYSIS OF RURAL MARKET

The mental models etched in most minds are that of a rural India still stuck in the dark ages. Anecdotal evidence shows very visible signs of marked modernity and progress, consumer durable and non-durable product sales to rural areas show steady increases, yet census data corroborates the "stuck in the dark ages" description of rural India. Thus, there is a need to build new mental models about rural India today.

Some features of the market are:

- a) The rural market in India is vast and scattered. It covers the maximum population and regions and thereby, the maximum number of consumers. The rural population lives in 5,70,000 villages. Only 6300 or less than 1.1 percent have a population of more than 5000 each. More than 3,00,000 villages i.e. more than 55 percent are in the category of 500 people or less.
- b) Rural India isn't a single homogenous block; it is heterogeneous. A study conducted by IMRB provided development index points for each state after collecting village level data on various parameters such as availability of health and education facilities, public transport, electricity, banks etc.
- c) Rural India is engaged in all kinds of occupations. The rural consumer could be a bank clerk commuting to the nearest town or an agricultural labourer. However, over 52% of India's work force is directly engaged in agriculture according to estimates made in 2008-09.
- d) Rural buyers are as much conscious of products and brands as their urban counterparts. This awareness has been created through cable and satellite television. The notion that rural Indians are stuck in the hinterland, and unexposed to the developments around them, simply isn't true anymore.
- e) While rural India is exposed to all new things urban, it still has a low level of traditional education, making rural Indians a different kind of consumers. 26% of rural India's chief wage earners (CWEs) are illiterate compared with 8% in urban India. 7% of rural CWEs are graduates compared with 29% in urban India.¹

f) Rural India has an average per capita income that is half of urban India. 21.7% of the rural population is below the poverty line; for urban populations, the incidence of poverty is 20.8%, not much lower.

g) With the initiation of various rural development programmes there has been an upsurge of employment opportunities for the rural poor.

1.2 SECTOR WISE ANALYSIS OF RURAL MARKET

Below is an analysis of different industries and their presence in the rural sector.

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

RETAIL: The rural retail market is currently estimated at US\$ 112 billion, or around 40 per cent of the Indian retail market, according to a study paper, Castrol India is pushing its rural sales by building up a distribution infrastructure to reach out to all villages. Currently, HUL products reach approximately 250,000 rural retail outlets and the company intends to reach 750,000 outlets in nearly two years time.

INSURANCE: LIC is the dominant player in the insurance sector even in the rural areas. It has used innovative ways such as street plays with local people performing skits describing the importance of insurance and the disadvantages of not being covered. LIC and ICICI Pru Life are also using e-Choupal to sell insurance covers in these markets. Now, companies such as Bharti AXA General Insurance are also planning to expand in Tier-II and Tier-III cities

AUTOMOBILES: The purchasing power in rural India is on the rise, because of various reasons as have been cited earlier. Owing to such an increase in income and purchasing power, car sales have been increasing. Maruti Suzuki, Toyota Kirloskar Motor, Yamaha, Mahindra & Mahindra are all present in rural india

TELECOM: The mobile market in rural India has significant potential, with number of subscribers anticipated to grow at a CAGR of around 32% during 2009 to 2012. It is forecasted that sales of mobile handsets in rural India will grow at CAGR of around 17% from 2009 to 2012. The rural market is a good business proposition for cellular operators and handset manufacturers as mobile phone penetration is very low in this area. Cellular operators who had launched their services in B and C class cities have received overwhelming response.

2. LITERATURE REVIEW

Rural marketing is movement of goods , services and ideas to rural areas by using marketing tools and techniques with the objectives of satisfying rural consumers as to achieve organisational objectives.

The marketer cannot afford to forget such a vast market that accounts 3 quarters of India's population where 2 quarters of national income is generated

2.1 REASONS FOR GROWTH OF RURAL MARKET

A huge population: 740 million people in 630,000 villages across 3.2 million square miles to be targeted.

A massive economy: Over 50% of India's total GDP comes from rural India. Almost the same number of middle to high income households are in rural areas (21.16 million) as in urban areas (23.22 million).ⁱⁱ

A booming economy: Increasing purchasing power on account of initiatives of the government and CSR activities done by the corporates. Exposure and increase in literacy would open the markets further.

Unexplored markets: The markets have untapped potential. There is substantial scope to further increase the contribution of the rural markets to the overall sales.

Saturation in urban markets: Urban markets are increasingly becoming competitive, and in many cases even getting saturated. They can not be expected to switch their brand very easily. Thus, rural markets offer growth opportunities to firms caught in intensive inter-firm rivalry in urban and metro markets.

2.2 PRODUCT DECISION

STRATEGIC OPTIONS:

- I. EXTENSION:** It refers to the strategy of extending the product from urban to rural markets without any modification. This is done when the rural customer's awareness about products and their benefits is high and consumption experience is expected to be similar to the urban counterparts.
- II. ADAPTATION:** It refers to customising the product to suit the rural buyer's demography as seasonality of income and low disposable income levels continue to impact rural demand. Providing small packs is one form of product adaptation. Small pack sizes are also necessitated because of limited shelf space.
- III. INNOVATION:** It is required when infrastructure constraints make products redundant. Simpler and easy to use, service or maintain products are created for the rural consumers.

2.3 CHALLENGES OF RURAL MARKET

The success of a brand in the Indian rural market is unpredictable. Marketers need to understand the social dynamics and attitude variations within each village.

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 4-A Model

The 4-A model can be used to analyse the challenges in rural markets.ⁱⁱⁱ

AVAILABILITY: Distribution strategies are of paramount importance in the rural markets. 700 million Indians may live in rural areas; finding them is not an easy job. The firm's products should be available in haats and fairs, either through small traders or through its vans. Also, organised retail stores like ITC's Chaupal Sagar, Mahindra & Mahindra's Shubh Labh stores, Escort's rural stores can be considered while deciding the distribution of products.

AFFORDABILITY: The rural consumer is extremely price sensitive and generally with low disposable income. Products have to be affordable to the rural consumer, most of who are on daily wages. Thus, small pack sizes need to be introduced. Eg: Sachet packaging for tea, shampoo, and toothpaste is used to penetrate rural markets. Such small packs are perceived to be value for money.

ACCEPTABILITY: Once available, the major concern is to convince the customer about the need to buy the product. There is a need to offer products that suit the rural market.

Eg: In 1998, LG Electronics developed a customized TV for the rural market (priced at Rs3000 and capable of picking up low intensity signals) and christened it Sampoorna. It was a runaway hit selling 100,000 sets in the very first year

MAIN CHALLENGES ARE;

- **COMMUNICATION:** The marketer must address the specific problems, needs, aspirations and hopes of the local population in each region. Stories having characters they can identify with will help create greater empathy and understanding.

Eg: When MRF decided to introduce bullock cart tyres with nylon and decided to call it 'Pahelwan Chap Buggy Gadi Tyres,' it came up with a 'Nylon Cord Breaking Contest' for pahelwans in the audience.

CREATING UNDERSTANDING: The companies need to analyse the basic requirements of the customers before dumping products on rural consumers and thinking of increasing their market share. They need to create understanding in the minds of consumers regarding the actual usage of the product.

IMITATIONS: Most rural consumers recognise a brand by its packaging. This is why a number of local brands imitate the packaging of big national brands. The marketers need to protect their brand against low-cost and low- quality imitations

available in the market. The marketer has to ensure that the target audience knows the difference between fake and original. Making this distinction clear becomes all the more difficult in rural areas because of low levels of literacy.

STORAGE CAPACITY: The storage system is generally poor leading to inadequate stocking of products. Marketers need to develop strategies to ensure that their product is readily available and not spoiled because of lack of proper warehouses.

2.4 MARKETING MIX FOR RURAL MARKET

Product mix- product mix for urban population is not meant for rural population. Therefore product mix modification shall suit to variables of rural marketers such as per capita income, habits and attitudes of rural people, product utility values etc.

Price mix- rural population wants cheaper products. Therefore marketer should introduce affordable and reasonable product in rural market that should be suitable to their utility

Promotion mix- mode of promotion should be suitable to rural population. Mass media such as radio, television would be used as promotional tool also films, exhibitions, mobile vans will help in promotion

Distribution mix- rural population is widely scattered and has numerous customs, social norms and habits which determine their needs. To cater their needs distribution mix needs to be innovative and based on low cost model.

CONCLUSION

It is often said that markets are made, not found. This is particularly true of the rural market of India. It is a market meant for the truly creative marketer. Rural marketing is an evolving concept.

- There is no stereotype rural consumer. Rural consumers do not exhibit the same buying behaviour. There are consumers who can afford high-priced brands and are also willing to buy, and there are consumers with low purchasing power.
 - Since the average income of a rural household is lower than that of an urban one, there is a focus on lower cost products, such as Alto and Santro in passenger cars.
 - However, low cost does not imply low quality. Good quality functional products have to be offered, although they may not be equipped with features present in high-end models.
 - There is no "rural-only" product in the market. Tata Nano was supposed to be a rural market product, but the share of the rural market in the total number of bookings of 2,03,000 units was less than one-third. In the overall context, the rural market is still a niche segment.
 - It is very essential for the rural marketers to understand the psychology of the consumers in terms of their usage habits and shopping behaviour along with their emotions and value systems. The integration of both technological and managerial knowledge would help them to develop the needed marketing strategies for the rural Indian markets.
 - The marketers have to consider unconventional media such as van advertising, involvement in rural fairs and haats when marketing for rural consumers. Such methods act as effective ways to create awareness since mass media is too impersonal for the rural market.
 - It's not just right pricing and packaging, but it is the ability to establish the right connect with the consumers which helps a brand to succeed in rural India.
 - The sector offers a plethora of opportunities and poses a variety of challenges. It is not easy to succeed in rural India. The 4As should be understood carefully and appropriate marketing strategies designed to capture the targeted market share. Rural India is willing to pay and this attitude should be capitalised on. There lies immense potential in this sector. It is imperative for any firm planning to go big to eye the rural market.
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