Indian Rural Market: Opportunities and Challenges

Manpreet Kaur
Assistant Professor
Department of Commerce
S.A. Jain College, Ambala City.

Abstract
In recent years, rural markets have acquired significance and attract the attention of marketers as 68.84% population of India resides in villages. Just like everything else in India, rural India too is changing. Education, access to technologies and a progressive outlook is the new face of rural India. Overall growth of economy has resulted into substantial increase in purchasing power of rural communities. These changes provide new opportunities for marketers, but besides these opportunities, marketers have to face some challenges like pricing and distribution. Based on secondary data, this paper aims to identify the rural market status in India, different rural marketing strategies, opportunities and challenges of rural markets in India. This would allow businesses to formulate an appropriate strategy to face the challenges and benefit from same.

Key Words - Rural Market, FMCG, Rural Marketing, Disposable Income, Rural Consumer

1 Introduction
As a result of saturation in urban market, Businesses are looking for new opportunities and avenues. Capturing Rural market is becoming one of the most lucrative option for them. As only 31.16% of Indian population living in urban areas and 68.84% residing in villages (census 2011), the major growth potential lies in the dense segment of lower income consumers in rural areas than in higher income consumers living in urban areas. The Mckinsey report (2007) on the rise of consumer market in India predicts that in 20 years the rural Indian market will be larger than the total consumers market in countries such as South Korea or Canada today and almost 4 times the size of today's urban Indian market and estimated the size of rural market at $577 Billion.

The rural consumption growth rate in India has now surpassed that of urban India (CRISIL Report, 2012) due to many factors like Govt. Initiatives (such as MGNREGA, IRDP & REP), Non-farm Employment opportunities, Private initiatives (such as ITC’s e-chaupal, HUL’s Project Shakti),
Green revolution, Better Credit facilities through Banks, Green Card / Credit Card for farmers, Improved Agro exports due to EXIM policy, Remittances from Indians abroad etc. According to preliminary data released for 2011-12, by NSSO between 2009-10 and 2011-12, rural consumption per person grow annually at 19% in comparison to 17% in urban counterparts. In absolute terms, the spending by urban India during this period was pegged at US$53,607 million and spending by rural India at US$67,144 million (CRISIL, Report, 2012).

The concept of Rural Market is explained by C.K. Prahlad in his book 'The fortune at the bottom of Pyramid'. According to him, the world population can be represented in the form of a Pyramid with the elite class lying at the tip of the Pyramid, the middle and the upper class lying in the mid area of the Pyramid and the lower class which consists mainly population in rural areas lying at the bottom of Pyramid. Often, Rural Marketing is confused with Agriculture marketing. The later denotes marketing of produce of rural areas to urban consumers or Industrial consumers while rural marketing involves delivering, manufactured or processed inputs or services to rural consumers.

2 Review of Literature

NCAER : A rural market is any market that exists in the rural area with a population less than 10000, where the real density of population at any population nucleation is low without any significant infrastructure.

Census of India 2001 : Out of the total population of 102.7 crore, 74.2 crores are in rural area (Census of India, 2001) that makes it 72.2% of the Country's population. Also in absolute terms, the rural population is increasing at a higher rate than the urban population.

NCAER : Rise in rural income is keeping pace with urban income. From 55 to 58% of average urban income in 1994-95, the average rural income has gone upto 63 to 64% by 2001-02 and touched almost 66% in 2004-05. The rural middle class is growing at 12% against 13% growth of its urban counterparts.

Survey of AC Nielson: The Consumer market, specially fast moving consumer goods sector in rural and semi-urban India is estimated to cross $20 billion by 2018 and $100 billion by 2025.

Booz & Company : the Indian FMCG sector is expected to grow between 12 to 17% by 2020 and would reach a market size of Rs. 4000 to Rs. 6000 billion.

Study by Mckinsey Global Institute : Income in India are likely to grow 3 tones over the next two decades, and India will become the world's fifth largest consumer market by 2025. The significance of these figures is that even a small percentage increase in overall volume would lead to addition of a large number of customers. (Ramakrishna 2006)

3 Objectives of the Study

- To know the Rural Market Status in India.
- To state the different Rural Marketing strategies.
- To identify the major opportunities available in rural market.
- To study the major challenges faced by marketer in rural market.

4 Rural Market Status In India

The market scenario in rural areas today is changing very rapidly. Rural consumers are well adapting to modern way of living. They have more aspirations today. They consume large variety of products, both durable and non-durable. Due to increase in their disposable income, they are also
becoming brand conscious. With the advent of various technologies, the communication is fast and rural consumers get to know about the various products and brands in the way well understood by them. The increasing level of education among the rural people makes it easy for the marketers to pass on their message across the rural market. Advertisement through electronic media is preferred over other methods of communication. Regional language is playing vital role in rural marketing. Many brands are building strong rural presence without much advertising support like shampoos, detergent, talcum powder and beauty cream etc. Rural consumers usually don't experiment with a new product unless something triggers them. There are three fastest selling categories in Rural market. Rural – rural i.e. products, mainly used in rural market eg. Tractor, Seeds, fertilizer etc. Rural – Urban i.e. products like bicycle, Transistor, soap, shampoos, batteries, washing powder etc. and Urban-Urban, the best penetration in this segment is mobile phone. Nokia have found that farmers are now getting more familiar with handsets and it has become a tool of prosperity for them.

Pradeep Kashyap, CEO, MART says, "The rural India has cash in hand and is not bound by EMIs or loans, with the majority of our population based in tier III, tier IV, cities and villages. It is the right time to penetrate into rural market.

5 Rural Marketing Strategies

Dynamics of Rural Market 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, has been subject matter of intense discussion and debate in countries like India and China. Rural Marketing involves a number of strategies which includes following:-

- More Exhaustive personal selling efforts.
- Use of local language.
- Brand promotion in celebrations, festivals, melas and other activities where they assemble.
- Use of Delivery Van for distribution.
- Organisation of Annual Mela
- Audio-Visual Media
- Use of Traditional Media like folk dances, puppet show
- Client and location specific promotion
- Partnership for sustainability
- Joint or co-operative promotion
- Business Ethics.
- Management of demand.
- Extension services
- Focus on Customer Requirement
- Patriotism with products & services
- Promoting Indian Sports Team.

6 Opportunities For Marketers

The rural market has been growing gradually over the past few years and is now even bigger than the urban market. Major opportunities available in rural market are as follows:-
1. **Increase in literacy Rate:** Literacy rate is increasing in rural areas. According to census 2011 it is 68.9%. There are more graduates in rural than in urban area. This brings social and cultural changes in buying behavior of rural customers. They are more aware about national and international brand.

2. **Untapped Potential:** It offers a great chance for different branded goods as well as services. It is estimated by HLL that out of 5 lakh villages in India, only 1 lakh have been tapped so far, which indicate the market potential of rural market.

3. **Increase in disposable Income and Purchasing Power:** Projects from private companies, Govt. initiatives like MGNREGA, Agricultural loan at lower rate of interest, Kissan Credit Cards has given a boost to income level to rural sector. Companies have the opportunity to enter in the new market and take the advantage of increased disposable income.

4. **Market size and Potential:** The size of India’s rural market is stated as 12.2 percentage of world population in India, rural household has about 72% of total household constitute a huge market by any standard.

5. **Reduction of Risk during Recession:** It has been observed that companies which cater both urban and rural market tackle the recession in the better way. The demand for goods in the urban market often follow a cyclic whereas in rural market it is steady. So, companies can safeguard themselves from the harmful effects of recession after entering in rural market.

6. **Accessibility Market:** Though the road network, has not developed to the best possible extent but much development has been taking place in many regions which makes easier to supply products to these regions.

7. **IT & Communication development:** With the advent of IT & Communication in rural areas, The rural children & youth have access to information regarding new products, brands, news, prices, govt. schemes, job opportunities etc. which makes easier for the marketer to give message about his product / service and do brand promotion.

8. **Improvement in Infrastructure:** Rural Infrastructure is also improved with govt. initiatives like Road Connection, Electricity, Water supply, Telephone Connectivity, Broadband Connection which become the major attraction point for the marketer.

9. **Competition in Urban Areas:** Marketers have to face a lot of competition in Urban Areas. Due to saturation in Urban Areas they have to find out a new avenue. Here, Rural Areas provides them better option.

10. **Increase in Population leads to increase in demand:** Rural market covers the maximum population i.e. maximum no. of consumers. More than 80% of rural markets in India still do not have any access to any sort of organized marketing and distribution. Moreover, the rate of increase in rural population is more than urban population. It provides an excellent opportunity for the Industry Player in form of vastly un-tapped market.

### 7 Challenges Have To Be Faced By Marketers

The Peculiarities of rural markets and rural consumers pose challenges to marketers. The main challenges of rural marketing are as follows:-

1. **Transportation Problem:** Transportation is essential for movement of products from urban production centres to rural areas. In India, Transportation facilities are quite poor. Nearly 80%
of villages in country are not connected by well constructed roads. Due to poor transportation facilities. It is not possible for a marketer to access the rural market

2. **Warehousing Problem:** A storage function is necessary because there is a time gap between production and consumption of commodities but in rural areas there is lack of public as well as private warehousing. Marketers face problems of storage of their goods.

3. **Low-literacy rate:** It is difficult to educate the potential consumers in rural market about products due to low level of literacy.

4. **Media Problems:** Media plays an important role in promoting a product/service. Due to non-availability of power as well as T.V. sets, marketers have to face media problem in promoting their products.

5. **Undeveloped Society:** Rural Society in India is under-developed. Modern technology has tried to develop the people and markets in rural area. But the technology has very less impact in rural areas.

6. **Seasonal Demand:** The Demand in rural sector is seasonal. Monsoon bring the harvesting season in India. That's why, during monsoon demand of rural sector is high due to comparatively high income.

7. **Low per Capita Income:** Per Capita Income is lower in rural areas compared to those in urban areas. Again, the distribution of rural Income is highly skewed, due to skewness in land holding pattern.

8. **Many languages:** India is a country of many languages. Language becomes barrier in effective communication in market efforts. The number of languages vary from state to state, region to region and district to district etc.

9. **Availability of Duplicate and Cheap brands:** Customer in rural India are very cost sensitive. Therefore, the existence of duplicate brands, which are quite common in rural parts, at lesser prices gives considerable competition to the firm.

10. **Buying Decisions:** Rural Consumers are cautious in buying and decisions are slow and delayed. They like to give a trial and only after being personally satisfied, they buy the product.

**8 Suggestions**

1. **Effective Communication:** There is need to find out the appropriate media which reach the hearts of rural masses. In case, due to non-availability of power, T.V., Radio etc. can't be used, then puppet show or folk dances etc. can be arranged.

2. **Pricing:** Products should be provided in smaller packs taking into consideration the Income level of rural persons.

3. **Products according to requirement:** Product designing should be made according to requirement of rural people. Product should work in hostile conditions like noise, dust, electricity blackouts etc.

4. **Marketing Research:** While deciding making strategies for rural marketing marketer should concentrate on marketing research.

5. **Distribution Network:** Marketer should use Delivery vans and should take the help of retailers for distributing the products & services in highly dispersed market.

6. **Use of local language:** Marketers should use local language while advertising the product or service.
7. **Selection of Salesman from rural areas**: The salesman in rural markets should be selected from the educated unemployed villagers, trained well and appointed as salesmen. The town-to-villages shuttling sales men are to be replaced by stationary salesman in villages.

8. **Knowledge to Villagers**: Companies should also adequately concentrating on educating the villagers to save them from spurious goods and services.

9. **Testing**: It is important for any brand to test the campaign before as well as after it is executed to understand and measure the audience consumption pattern.

10. **Brand Awareness**: In rural India, Consumers are not brand loyal, but their purchase pattern can be termed as 'brand stickiness'. So, more brand awareness and presence in the markets will influence the purchases.

**9 Conclusion**

The rural market is where the markets of future are likely to be. In most cases, Urban markets are saturated and highly competitive. Here, Rural market is a market of millennium which provides many opportunities. While rural consumers in emerging market economies offer tremendous potential, yet, capitalizing on this potential necessitates the formulation of a well thought out and creative strategy, which focuses on such essential aspects of marketing, such as product suitability, relationship building, promotion and distribution. More modification and extension of existing urban marketing plans to rural markets would not serve the purpose. Thus, after looking at the challenges and opportunities which rural market offer to marketers and the manufactures. It can be said that the future is very promising for those who can understand the dynamics of rural market and make use of them to their best advantage. It is often said that market are made, not found, this is specially true of the rural markets of 'India'.

**10 References**

[9] Rajagopal; Rural Marketing – Rawat publications