



THE ROLE AND POTENTIAL OF RURAL MARKET IN INDIA – A STUDY

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Abstract:

The Government of India has planned various initiatives to provide and improve the infrastructure in rural areas which can have a multiplier effect in increasing movements of goods, services and thereby improve earnings potential of rural areas subsequently improving consumption. With the increasing demand for skilled labour, the Indian government plans to train 500 million people by 2022, and is looking out for corporate players and entrepreneurs to help in this venture. Corporate, government, and educational organisations are joining in the effort to train, educate and produce skilled workers. The Government of India seeks to promote innovation and technology development in the remote rural and tribal areas. The government plans to form a committee to study various innovations and submit their reports to the concerned Department or Ministry. The programme called the 'Nav Kalpana Kosh' aims to improve rural areas at various levels, such as governance, agriculture and hygiene.

Keywords: Corporate, economy, potentiality, rural market, innovation, technology

Introduction:

Almost 830 million Indians constituting 143 million households reside in 6, 73,213 villages (census 2011). The size of rural Market itself proves its potentiality. The current scenario both in market and economy have made the companies to come under a contemporary roof of Modern India, which has challenging segmentation, targeting and positioning opportunities. As the Urban growth rate is almost under saturation, the companies look forward to the untapped rural markets. The attracting factor here in rural is increase in literacy rate (from 36 to 59 % in rural, census – 2011), that is the educated young people have access to technology and also openness to change. Also the purchasing power of rural communities has increased, says NCAER in its survey, 2010. (To be precise, the middle class growth rate in rural is 12% which is close to that in urban 13% says the survey).

OBJECTIVE OF THE STUDY

- To unleash the potential of Rural Market (Vellore District)

- To analyze the various factors of Potential Rural Market
- To assess the shift from Urban to Rural
- To offer the conclusion on potentiality of Rural Market

RESEARCH METHODOLOGY

An exhaustive **Questionnaire** has been used to collect primary data.

Descriptive Research is used for finding the facts on potentiality of Rural Market

A Probability sampling technique – **Simple random Sampling** is used for collecting data

Sample size – **500**

Sample Region – In and around Vellore district

FACTS OF RURAL INDIA

Some common characteristics that do exist amongst most of the rural markets in India are as follows.

A. POPULATION: 83.3 per cent of the villages have a population of less than 2000 (Census of India 2011)

B. LEVELS OF EDUCATION: Although the percentage of literates has increased from 36 in 1981 to 59 in 2001, there is still approximately 60 per cent of the rural population who lies below the middle education bracket. (Kashyap & Raut, 2011)

C. OCCUPATIONAL PATTERN: Almost 76% of the rural population depends on cultivation or wages for their living (NCAER, 2010).

D. CHARACTERISTICS: In terms of occupation, consumption and buying behavior change prominently from urban to rural in locations with population more than 10000.

RURAL MARKETING IN MODERN INDIA

Rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas.

The rural market has been growing steadily over the past few years and is now even bigger than the urban market. About 70 per cent of India's population lives in villages. More than 800 million people live in villages of India. 'Go rural' is the marketer's new slogan. Indian marketers as well as multinationals, such as Colgate-Palmolive, Godrej and Hindustan Lever have focused on rural markets. Thus, looking at 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.

“Rural Marketing is defined as a function that manages all activities involved in assessing, stimulating and converting the purchasing power of rural consumers into an effective demand for specific products & services and moving these products & services to the people in rural areas to create satisfaction and a better standard of living and thereby achieving organizational goals” (Iyer, 2011). The process should be able to straddle the attitudinal and socio-economic disparity between the urban and rural customers.

URBAN TO RURAL (U 2 R): A major part of rural marketing falls into this category. It includes the transactions of urban marketers who sell their goods and services in rural areas, like pesticides, fertilizers, seeds, FMCG products, tractors, bicycles, consumer durables, etc.

RURAL TO URBAN (R 2 U): Transactions in this category basically fall under agricultural marketing where a rural producer seeks to sell his produce in an urban market, like seeds, fruits and vegetables, milk and related products, forest produce, spices, etc.

RURAL TO RURAL (R 2 R): This includes the activities that take place between two villages in close proximity to each other, like agricultural tools, handicrafts and bullock carts, dress materials, etc.

The McKinsey report (2009) on the rise on consumer market in India predicts that in twenty years the rural Indian market will be larger than the total consumer markets in countries such as South Korea or Canada today, and almost four times the size of today’s urban Indian market and estimated the size of the rural market at \$577 billion.

TABLE 1: RURAL POPULATION STATISTICS

Population	Number of Villages	% of Total Villages
< 200	118267	17.7
200 – 499	159123	23.6
500 – 999	159400	23.7
1000 – 1999	126758	19.9
2000 – 4999	79135	11.8
5000 – 9999	16618	2.6
> 10000	3912	0.6
TOTAL	6,73,213	100.00

Source: Census 2011

ATTRACTING ATTRIBUTES OF RURAL MARKETS

TABLE 2: ESTIMATED ANNUAL SIZE: RURAL MARKET

FMCG	INR 65000 crore
Durables	INR 5000 crore
Agri – Inputs (including Tractors)	INR 45000 crore
2/4 Wheelers	INR 8000 crore
TOTAL	INR 123000 crore

Source: (Francis Kanoi, 2009)

The immense potential of the rural market can be realized if the marketers understand this market. The huge untapped needs of the rural mass, the growing rural economy and the increasing media penetration and brand awareness make this market extremely attractive to marketers (Goswami, 2009). A look at the estimated annual size of the rural market would make us understand the true potential of this untapped market. The growth statistics for FMCG and Consumer Durables sector suggests huge potential for the Indian Rural markets (Paninchukunnath, 2010).

UNDERSTANDING THE POTENTIAL OF RURAL MARKET

1. **LARGE POPULATION:** 830 million Indians constituting 143 million households reside in 6, 73,213 villages (Census, 2011). The size of rural market itself speaks of its potential.

2. **GROWTH IN MARKET:** The market has been growing at 3-4% per annum adding more than one million new consumers every year. Consumer is brand loyal and understands symbols better. View it as you may, few people dispute that the rural market is massive. According to Singh, 12.2% of the world's consumers live in India. "Rural households form 72% of the total households. This puts the rural market at roughly 720 million customers."Gupta of TSMG extrapolates the Census 2001 numbers and comes up with an estimate of 790 million. "Total income in rural India (about 43% of total national income) is expected to increase from around US\$220 billion in 2004-2005 to US\$425 billion by 2010-2011, a CAGR of 12%," he says.

3. **IT PENETRATION IN RURAL INDIA:** Today's rural children and youth will grow up in an environment where they have 'information access' to education opportunities, exam results, career counseling, job opportunities, government schemes and services, health and legal advice and services, worldwide news and information, land records, weather forecasts,

bank loans, livelihood options. If television could change the language of brand communication in rural India, affordable Web connectivity through various types of communication hubs will surely impact the currency of information exchange. As the electronic ethos and IT culture moves into rural India, the possibilities of change are becoming visible.

4. IMPACT OF GLOBALIZATION: The impact of globalization will be felt in rural India as much as in urban. But it will be slow. It will have its impact on target groups like farmers, youth and women. Farmers, today 'keep in touch' with the latest information and maximize both ends. Animal feed producers no longer look at Andhra Pradesh or Karnataka. They keep their cell phones constantly connected to global markets. Surely, price movements and products' availability in the international market place seem to drive their local business strategies. On youth its impact is on knowledge and information and while on women it still depends on the socio-economic aspect. The marketers who understand the rural consumer and fine tune their strategy are sure to reap benefits in the coming years. In fact, the leadership in any product or service is linked to leadership in the rural India except for few lifestyle-based products, which depend on urban India mainly.

5. INCREASING INCOME AND PURCHASING POWER: The agricultural development programs of the government have helped to increase income in the agricultural sector. These in turn have created greater purchasing power in rural markets.

6. ACCESSIBILITY OF MARKETS: The attraction of a market depends not only on its potential but also on its accessibility. The road network has facilitated a systemized product distribution system to villages. An increasing number of companies are supplying village markets directly. Increasing direct contacts to villages helps product promotion and availability of the product in the village shop.

7. CONSUMER BEHAVIOUR CHANGES: Increased literacy and greater awareness in rural markets create new demands and discriminating buyers. This is observed more in the younger generation. In villages today, this segment of buyers consumes a large variety of products, both durables and non-durables. There is a visible increase in the consumption and use of a variety of products, which is easily observed.

8. COMPETITION IN URBAN MARKETS: Intensified competition in urban markets increases costs and reduces market share. The rural markets are therefore increasingly attractive in relation to urban markets. The automobile market brings this out clearly. Rajdoot motorcycles, Bajaj scooters or Ambassador Cars find ready acceptance in rural markets as compared to urban markets where there is a proliferation of brands.

9. NEW EMPLOYMENT OPPORTUNITIES: Government schemes like IRDP (Integrated Rural Development Programme), JRY (Jawahar Rozgar Yojana) and TRYSEM (Training Rural Youth for Self Employment) have created new employment opportunities in Rural India. Co-operative banks and Public sector banks are extending loans to rural people,

thereby creating job opportunities for them. As a result very few rural people are now flocking to urban centers.

10. **GREEN REVOLUTION:** The vision of Dr. Swami Nathan, the father of the green revolution to achieve self-sufficiency in food grain production in 1995, gave a major breakthrough in food grain production by the use of scientific methods in agriculture. At present, Rural India generates 299 million tons annually.

11. **VARIOUS GOVERNMENT POLICIES:** The government's stress on self-sufficiency resulted in various schemes like Operation Flood (White Revolution), Blue Revolution, Yellow Revolution, etc. resulted in the production of 15 million tons of milk per annum.

12. **BETTER CREDIT FACILITIES THROUGH BANKS:** With co-operative banks taking the lead in the rural areas, every village has access to short, medium, long-term loans from these banks. The credit facilities extended by public sector banks through Kisan Credit Cards help the farmers to buy seeds, fertilizers and every consumer goods on installments.

13. **GREEN CARD / CREDIT CARD FOR FARMERS:** The government initiated credit cards for farmers through public sector banks. Canara bank and Andhra bank were the pioneers in the launch of the Kisan Credit Card. The farmer had a choice to take short or medium term loans through these credit cards to buy seeds, fertilizers, etc. This enabled him to produce more and thereby increase his income.

14. **POLITICAL & SOCIAL CHANGES THROUGH FAVOURABLE GOVERNMENT**

POLICIES: The Indian Government launched a number of schemes like IRDP (Integrated Rural Development Program) and REP (Rural Electrification Program) in the 1970's, which gave a boost to the agrarian economy.

15 **MEDIA:** Mass Media has created increased demand for goods and services in rural areas. Smart marketers are employing the right mix of conventional and non-conventional media to create increased demand for products. The role cable television has been noteworthy in bringing about the change in rural people's mindset and influencing their lifestyles.

FINDINGS

1. Advertising through **electronic media** is more preferred than other mediums of communication.
2. Rural customers are becoming more of **Brand Conscious**.
3. Decision making is made by **Self** followed by **spouse**.
4. Rural people do not **experiment** with a **new product** unless something **triggers** them like **positive feedback**.
5. **Emotional attachment** with customers is **very low**.
6. **Relationship building** with rural customers is **not effective**.
7. **Low innovations** in medium of communication compared with urban.
8. **Low focus** on Value creation and Branding.
9. **More focus** given on Price and Discounts.

SUGGESTIONS

1. **REVIEW the nature and profile** of rural customers due to the economic reformations in INDIA that has brought major changes in the whole market environment.
2. **DESIGN** the rural products that **appeal** to the rural customers and adopt **suitable medium of communication**.
3. **ADOPT** appropriate **strategies for distribution** that is cost effective like **Hub & Spoke** models.
4. Marketers can **BENEFIT** more if they can make the rural people feel that they value them as their customers.
5. **PREFER** Campaigns and free samples provisions in rural markets, and more of demonstrations to make them understand the value of the product and touch and feel the product.

SWOT ANALYSIS

Strength	Challenges
<ol style="list-style-type: none"> 1. Literacy Growth 2. Income Growth 3. Brand Awareness 	<ol style="list-style-type: none"> 1. Slow to adopt Brands 2. Scarcity of media Bandwidth but abundance of attention

<p>4. Attraction for high standard of living</p> <p>5. Favorable Government policies</p> <p>6. Huge population</p> <p>7. Awareness and Affordable; needs Availability</p>	<p>3. Multi – Languages</p> <p>4. Scattered nature of villages increase distribution costs</p> <p>5. Handicapped – Distribution</p> <p>6. More Personal Selling</p>
<p>Opportunities</p> <p>1. Joint or Co operative Promotional Strategy</p> <p>2. Virgin Markets</p> <p>3. High Potential – both market and Customers</p> <p>4. Value/ Brand image Creation rather than Price/ Discounts</p>	<p>Improvements</p> <p>1. Under developed people and Under developing markets</p> <p>2. Lack of Proper transports and Communication</p> <p>3. Inadequate Credit and Banking facilities</p> <p>4. Difficult Road Transportations</p>

RURAL MARKET OPPORTUNITIES

Few of the companies that are going bullish in the rural markets:

- HUL with its Project Shakti has already has a reach of 1.7 lakh villages, and aspires to reach 5 lakh villages by 2020.
- Indian Tobacco Company (ITC) has a lot of penetration in the rural markets and the e - Choupals are a big hit in the rural market.
- Airtel is planning to reach around 2 lakh villages.
- Marico with its most famous brand Parachute has a reach of 1 lakh villages.
- Pepsi and Coke, the Cola giants, have a reach of 70,000 villages.
- Dabur, known for its Lal Dant Manjan and Hajmola, has a reach of 60,000 villages.
- Colgate with its Operation Jagruthi has a reach of over 60,000 villages.
- Mahindra & Mahindra sells most of its SUVs in the rural market.

Mahindra Shubhlabh is India's largest exporter of fresh produce. Mahindra Shubhlabh engages with farmers in the production of export quality grapes, pomegranates,

and apples aimed at delivering to domestic and international markets. It has a huge R&D facility in Pune to research on various modern seeds and saplings.

- Nokia 1100 with its torch is a very big hit in the rural market. It is a perfect example of understanding the needs of the consumer. Nokia realized the need for a torch in the mobile for the rural people as they walk in the dark streets and fields of the village. Nokia is set to release some low cost phones to tap more from the tier-3 and tier-4 markets.

There are other companies like Godrej, Parle G, Asian Paints, Yes Bank, Royal Enfield, ITC and Revlon.

MARKETING CHALLENGES

Delivering to the rural markets is a real challenge to many companies. In fact, the whole dynamics of these markets are so different that you need to look at a different product mix containing the 4A's instead of the traditional 4P's of marketing:

Acceptability – Build what the consumer wants

Affordability - Make an affordable product

Availability - Distribution plays a key role in the rural markets

Awareness - Don't promote the brand, demonstrate the product.

CONCLUSION:

RURAL MARKETING IS NOT ABOUT PENETRATING RURAL MARKETS; BUT PENETRATING RURAL MINDS

Economic Reforms and changing economic conditions have clearly pointed out that rural market is the Future market of India. Dainik group is the leading newspaper in the rural markets. In the realm of television, we have the following in the descending order of penetration in the rural markets.

Doordarshan has a reach of 97% of the rural markets in India. - Zee Cinema which carries with the image of movies being the favorites of rural people. - B4u movies – MTV - Discovery Hindi. One of the key trends in the rural markets is people changing very quickly from cable to satellite TV. This is because of the hassle-free dish connection of the satellite TV. Most of the dish TV companies like Tata Sky, BIG TV, and Airtel are selling good in the rural markets too. Similarly, Revlon has come up with a lipstick for the rural markets and it is doing very good as against Lakme. This shows that there is huge potential in these markets and it is interesting to see how these trends will transform the lives of the rural people and in turn impact the Indian markets.

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