Marketing Revolution in Rural India: Emerging Trends and Strategies

Nizamuddin Khan

Department of Geography, Aligarh Muslim University, Aligarh - 202002 (U.P.)
INDIA

Mohammad Muqeet Khan (Corresponding author)

Department of Geography, Aligarh Muslim University, Aligarh - 202002 (U.P.)
INDIA

Abstract. Rural marketing involves the process of developing, pricing, promoting, distributing rural specific product and a service leading to exchange between rural and urban market which satisfies consumer demand and also achieves organizational objectives. In recent years, rural markets have acquired significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. These markets are extremely attractive with its vast potential but also provide challenges. It is a classic case of risk return situation. The key to reducing the risk is to understand the market, the consumer need and behaviors. The marketers in recent years are thus facing an extremely difficult and challenging tasks of catering to the rural sector, which is now almost impossible to ignore because of its rising income, population growth rate and government thrust on primary sector growth in its current five years plan. This market was so far been left largely to the mercy of local, cheap and fake products apart from few large companies. Organizations in order to succeed are now redefining their marketing mix strategies for the hugely untapped or rather poorly serviced rural markets, which by its sheer population size is much bigger than the combined population of many of the foreign nations. The present paper shall discuss in brief the rural market scenario in India, the growth drivers and challenges
that are faced by the rural marketing organizations. It shall also recommend the strategies that can be adopted by the marketing firms in order to succeed in this highly unpredictable and unorganized market.

**Rural Marketing in India**

The concept of rural marketing in Indian economy has always played an influential role in the lives of people. In India, leaving out a few metropolitan cities, all the districts and industrial townships are connected with rural markets. 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 rural markets in India bring in bigger revenues in the country, as the rural regions comprise of the maximum consumers in this country. The rural market in Indian economy generates almost more than half of the country’s income. Rural marketing in Indian economy can be classified under two broad categories. These are (a) the markets for consumer goods that comprise of both durable and non-durable goods, and (b) the markets for agricultural inputs that include fertilizers, pesticides, seeds, and so on.

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 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.

**Emerging Face of Rural Marketing in India**

India in last almost twenty years has witnessed a remarkable shift in its economic, social and technological environment. The liberalization and privatization policies initiated by the Indian government in early nineties and the subsequent phenomenon of globalization have led to huge inflow of huge foreign investments and entry of large numbers of multinational corporations in India. These companies are mostly operating in BFSI (banking, financial services and insurance), retail, automobile, telecom, consumer durable and IT sectors. Besides many domestic Indian companies, especially those in ICT, automobile, textile and engineering products have also expanded their operations into overseas markets. As products and markets are turning global, companies are facing intense competition both within the domestic as well as in the international markets. Task of marketers in recent years has become more challenging due to shift in the demographic profile and requirements of customers. Firms operating in industries such as FMCG, telecommunication, insurance, financial services, consumer durable and automobiles are nowadays employing innovative marketing practices for their survival as well as to increase their market share. These companies are now shifting their focus away from the already saturated metros and tier-I cities to the rural and semi urban towns, to increase their revenues and market base. However, rural areas have their own limitations in
terms of large number of villages with thin population density, accessibility, infrastructure, telecommunication network, illiteracy, social and cultural backwardness and low disposable income. Besides, even though the seventy percent of Indian population resides in the rural areas, the income contributed by the agricultural sector in the total GDP is less than seventeen percent. The majority of rural population has relatively low disposable income as well as consumption rate compared to their urban counterparts. Yet they have aspirations and wants for most of the urban products.

The factors that have contributed to the rising aspirations and demands among rural buyers are increase in literacy levels, migration to urban areas, growth in media and telecommunication network, availability of credit schemes, globalization, cheaper technology products (such as television, mobile, music system, camera, etc.), government sponsored employment generating schemes such as NREGA, and tax concessions and loan waivers. Rural consumer nowadays is no longer ignorant and resigned to his fate. Today a rural buyer not only has purchasing power but also better informed price conscious and demand more value for the money spent. They look for better quality, durability and utility of the products and services offered in the market.

**Growth Drivers of the Rural Markets**

Rural markets have grown both in income as well as consumption, and have created enormous interest among the industries ranging from FMCG, consumer
durable, retail, automobile to insurance, banking and pharmaceuticals. Key drivers of rural market growth are:

i. **Higher income:**

Which includes crop diversification (biotech products, cash crops such as mint, floriculture, horticulture, etc.), higher commodity prices, organized retail and contract farming, remittances from abroad or migrant urban kin, government employment generating schemes such as NREGA, microfinance and rural credit, waiver of loans to the farmers, encouragement to cottage and micro industries, subsidies on agro inputs such as seeds, fertilizers, etc., and marketing assistance through organized retail, contract farming, rural cooperatives, projects such as ITC chaupalsagar, etc.

ii. **New aspirations:**

Mainly through more exposure to urban products and services due to media, literacy, migration, etc., demand for urban type products, aspiration for better quality of life as product become affordable, and better informed due to projects such as e-shakti and e-chaupal of HUL and ITC respectively.

iii. **Improvement in infrastructure and rural connectivity:**

In the eleventh five year plan government has specific focus on the inclusive growth of the country. This includes rural and urban poor as well as the primary agricultural sector. Several schemes have been launched in last couple years related to rural housing, roads, communication, drinking water, rural
eletrification, etc. These have considerably improved the living conditions of rural population and have led to increase in their demand and consumption for the automobile and consumer durable goods such as mobile, television, etc.

**iv. Growth of rural consumption:**

Due to easier availability of credit, lowering of prices of consumer durables such as television, refrigerator & mobile phones, growth in rural income, increase in rural savings, improvement in literacy, urban association due to migrants driving sale of consumer durable, apparels, footwear, FMCG, automobile, etc., easy availability of branded goods at closer vicinity due to rural organized retail such as Haryali Bazaar, ITC Chaupal, Godrej Aadhar, etc., and availability of low priced products due to improvement in technology and imports from countries such as China. Also there is a sizeable demand for second hand goods especially in automobiles.

**Challenges Ahead**

The rural market offers a vast untapped potential; it should also be recognized that it is not that easy to operate in rural market because of several problems. Today, the extreme challenge for the rural marketer is to reach out to the most remote rural destinations and increase rural incomes. About 750 million Indians reside in about 6 lakhs villages and even the powerful marketers like HLL and ITC have recently been able to cover only about 2 to 2.5 lakhs villages while about 1 to 1.5 lakhs villages have been connected through Project Shakti and E-Chaupal initiatives. Rural marketing is thus a time consuming affair and
requires considerable investments in terms of evolving appropriate strategies with a view to tackle the problems. A lot need to be done for expanding distribution coverage and the daunting task ahead is to overcome the following challenges:

i. **Poor infrastructure:** Most of the villages are suffering from the inadequate infrastructure facilities like warehousing, transportation, pucca roads and financial facilities. Although on paper approximately 90 percent of the villages appear electrified but in reality only one-third of the rural households have electricity connections. Only 12 percent of villages are connected with railway network and only 33 percent villages have the pucca road. Nearly 50 percent of the villages in the country do not have all weather roads. Physical communication to these villages is highly expensive. Even today, most villages in eastern part of the country are inaccessible during monsoon season. Planning physical distribution, managing distribution and controlling marketing communication are major impediments for entering rural markets.

ii. **Underdeveloped people and markets:** The agricultural technology has tried to develop the people and market in rural areas. Unfortunately, the impact of the technology is not felt uniformly throughout the country. Some districts in Punjab, Haryana or Western Uttar Pradesh where rural consumer is somewhat comparable to his urban counterpart, there are large areas and groups of people who have remained beyond the technological
breakthrough. In addition, the farmers with small agricultural land holdings have also been unable to take advantage of the new technology.

iii. **Non-availability of shops:** In India, approximately 30 percent villages have no regular shops; leave alone the proper distribution setup. According to Indian Market Research Bureau (IMRB) approximately 60,000 villages do not have even a single retail outlet. Even the outlet density is low in rural India compared to urban India. To make matter worse, most of the villages don’t have the proper connectivity with roads due to harass terrain.

iv. **Poor literacy level:** As per the census of 2001, rural literacy level is 59.4 percent as compare to the urban literacy rate which is 80.3 percent. Low education level leads to lack of awareness and herd mentality because of which villagers are not able to find the difference between the products of good and bad quality. It is because of this so many spurious brands are flourishing in the rural area with somewhat similar names and packaging than that of branded companies. It is virtually impossible for a marketer to track all these spurious brands and initiate any legal procedure. The only way for fighting against these evils is to increase the level of education in the rural areas and by increasing the awareness about the benefits of good quality products.

v. **Poor media penetration:** Only 57 percent of rural households have any type of mass media connections. Of these, 23 percent have access to print
media and 36 percent are the viewers of televisions. With about 2 lakhs haats (periodic markets) in India, the greatest challenge before a marketer is the cost per contact. The cost of reaching to the customers sitting or located in rural and remote areas requires a lot of investment especially in case of unconventional modes. There is also limitation in establishing an exposure and point of purchase in rural market.

vi. **Seasonal demand:** As agriculture happens to be the main occupation in rural India, demands for goods depend on the monsoons heavily. Therefore, the buying capacity is not stable or regular as comparison to the urban market.

vii. **Market organization & staff:** The size of the market organization and staff is very important, to manage market system effective control. However, the existing organizational setup particularly at district and block level needs to be strengthened in order to make the services on various aspects available to the farmers timely and also easily accessible to them.

viii. **Many languages and dialects:** The number of languages and dialects vary from state to state and region to region. This type of distribution of population warrants appropriate strategies to decide the extent of coverage of rural market.

ix. **Dispersed population, customs and traditions:** Population density in rural areas is much lower as compared to that in urban areas. It is therefore
becomes more challenging to reach out a large number of people at an affordable cost. At the same time people do not adapt to new practices as life in rural areas is based very strongly on tradition and customs.

x. **Barter system**: In the developing country like India, even today the barter system i.e., exchange of goods for goods exists. This is a major obstacle in the way of development of rural marketing.

xi. **Other influencing factors**: Natural calamities, market conditions (demand, supply and price), pests and diseases, drought or too much rains, primitive methods of cultivation, lack of proper storage facilities which exposes grain to rain and rats, grading, transport, market intelligence (up to date market prices to villagers), long chain of middlemen (large number of intermediaries between cultivator and consumer, wholesalers and retailers), fundamental practices (market dealers and commission agents) get good part of sale of receipts.

**Strategies for Marketing Mix in Rural Markets**

Considering the lack of proper infrastructure in the rural areas, companies have huge potential to design products specifically suited to the rural needs and wants. The marketing mix strategies need to be redefined keeping into consideration the variations in different rural markets.

**(A) Product Mix Strategies**
The specific strategies, which can be employed to develop or modify the products to targets the rural market, can be classified as follows:

1. **Small unit packing:** Given the low per capita income & purchasing habits of the rural consumers, small unit packages stand a good chance of acceptance in rural market. Single serve packets or sachets are enormously popular in India. They allow consumers to buy only what they need, experiment with new products, & conserve cash at the same time. This method has been tested by products life shampoos, pickles, biscuits, vicks cough drops in single tablets, tooth paste, etc. Small packing’s stand a good chance of acceptance in rural markets. The advantage is that the price is low and the rural consumer can easily afford it. This is because it is very affordable for the lower income group with the deepest market reach making easy access to the end user satisfying him. The small unit packing’s will definitely attract a large number of rural consumers.

2. **New product designs:** Keeping in view the rural life style the manufacturer and the marketing men can think in terms of new product designs. The rural product usage environment is tough because of rough handling, rough roads & frequent power fluctuations. Thus, all these environmental factors must be considered while developing the products meant for rural audience. In order to attract the semi-urban or rural consumers, now most of the mobile companies are introducing Hindi language in their economically priced model to facilitate
and expand their consumer base. This is in real terms, thinking global & acting local.

3. Sturdy products: Sturdiness of a product is an important factor for rural consumers. The product should be sturdy enough to stand rough handling, transportation & storage. The experience of torch light dry battery cell manufacturers supports this because the rural consumers preferred dry battery cells which are heavier than the lighter ones. For them, heavier weight meant that it has more over and durability. Sturdiness of a product either or appearance is an important for the rural consumers.

4. Utility oriented product: The rural consumers are more concerned with utility of the product and its appearance. During the early seventies Philips India Ltd. had developed and introduced a low cost medium wave receiver named BAHADUR. Initially the sales were good but later declined subsequently. On investigation it was found that the rural consumer bought radios not only for information and news but also for entertainment.

5. Brand name: For identification, the rural consumers do give their own brand name on the name of an item. The fertilizers companies normally use a logo on the fertilizer bags though fertilizers have to be sold only on generic names. A brand name or a logo is very important for a rural consumer for it can be easily remembered. For example, Coca-Cola targeted the whole Indian rural market with the positioning of “Thanda Matlab Coca-Cola” advertisements because
most of the villagers say when wanting a drink as ‘Thanda’, so Coca-Cola used that word.

(B) Pricing Mix Strategies

The rural buyer is price conscious and looks for value of the money spent. Since storage and affordability is also an issue, the purchases are mostly done at the time of consumption only rather than for the future use. They usually buy in smaller quantity and frequency of repeat purchase is low. They are not impulsive and want to get the best deal. The high priced consumer durable or automobile is generally purchased after a thorough market research and price comparison.

1. **Low cost/cheap products:** This follows from the product strategy. The price can be kept low by low unit packaging’s like paisa pack of tea, shampoo sachets, etc. This is a common strategy widely adopted by many manufacturing and marketing concerns.

2. **Refill packs/reusable packaging:** In urban areas most of the health drinks are available. The containers can be put to multipurpose uses. Such measures can a significant impact in the rural market. For example, the rural people can efficiently reuse the plastic bottle of hair oil. Similarly, the packages of edible oil, tea, coffee, ghee etc can be reused.

3. **Application of value engineering:** In food industry, soya protein is being used instead of milk protein. Milk protein is expensive while soya protein is cheaper, but the nutrition content of both is the same. The basic aim is to reduce
the value of the product, so that a larger segment can afford it, thus, expanding the market.

4. **Large volume-low margins:** Marketers have to focus on generating large volumes & not big profit margins on individual products. If they price their product at a level which can lead to good volumes, then they can still generate good returns on the capital employed.

5. **Overall efficiency & passing on benefits to consumers:** For rural products, the strategy should be to cut down the production, distribution & advertising costs & passing on these benefits to the customers to further increase the turnover. Most often, it has been observed that advertising has less to do with product sales in the rural areas. If an organization gets the price point right, then it can work in rural market.

6. **Low volume-low price strategy:** This strategy of reducing prices by reducing the package size in order to make it appear more affordable, is delivering very good results for a large number of FMCG product categories, in the rural markets of India. In categories where maintaining the price point is extremely critical, this strategy is delivering very good results.

7. **Ensuring price compliance:** Rural retailers, most of the times, charges more than the MRP. The manufacture has to ensure price compliance either through promotional campaigns, or by ensuring the availability of products at the retail outlets directly.

(C) **Promotion Mix Strategies**
Customized promotional media & messages need to be developed by the organizations to effectively target the rural market. The following strategies can be considered while developing promotional campaigns for the rural markets:

1. **Conventional & non-conventional media mix:** It is very important for the marketer to achieve success in rural market to build an association with the rural customers which can be done with the help of using the various rural folk media to reach them in their own language and in large numbers. As we know that the conventional media is not deep rooted in the rural India, so the appropriate mix of conventional and non-conventional media which is bound to generate effective results in the rural market. Television, radio, audio-visual van, cinema commercials, wall paintings, intensive door-to-door campaigns, live demonstration and distribution of free samples can be used as an effective media to boost the sales.

2. **Opinion leader’s influence:** As the rural market has limited exposure to mass media and has scattered consumer groups, Word-of-Mouth communication can be used effectively to promote the brands and products. It is not only cost-effective but also provides more credible and favourable information from a satisfied customer or opinion leader who is recognized by the villagers.

3. **Think global, act local:** Rural population is diverse, but the commonalities of their ethos & simple living habits need to be understood for advertising to
succeed. For that, the theme of the advertisement needs to revolve among universal themes. But the context, storyline, language & idioms should be such that the rural audience of different rural market segments can relate to.

4. **Think in local idiom:** This is the need of the advertising professionals who can think like the rural people. There should be the use of language writers who understands the rural & regional pulse better.

5. **Simplicity & clarity:** All promotional messages targeted at rural audience need to be simple & clear, which can be easily understood, and they should not include any confusing elements. It is preferable that it has only a few propositions at a time. Bombarding rural consumers with too much, in less time can easily confuse them & leave them bewildered. Promotional message should highlight only the functional values of the product & explains how those values can make the consumer's life even better & solve any of his problems.

6. **Choice of brand ambassador:** Brand Ambassador for the rural markets needs to be picked carefully as urban successes might not get replicated in the rural markets. An organization might spend a lot of money in hiring a brand ambassador only to find out later that it had little impact on the rural consumer.

(D) **Distribution Mix Strategy**
Many companies view the rural markets as great opportunity for expanding their sales but find distribution as a major problem. Unfortunately, it is almost impossible to transplant strategies which work successfully in urban markets onto rural markets, namely, extensive retailing and sustained pull generation through mass media advertising. The road blocks to reach the rural customers are: lack of adequate transport facilities, large distances between villages, lack of pucca roads connecting villages to nearest townships, lack of proper retail outlets, lack of mass media infrastructure, and so on. The marketers were of the opinion that the villagers would come to nearby towns and buy the products that they want. What has been found is that if we have to serve the rural consumer we will have to take our products to him through the channels that he is using and some innovative ways of getting to him.

The following distribution strategies have been formulated for the rural category:

1. **Coverage of villages with 2,000 and above population:** Ideally, coverage of villages with up to 2,000 and above population could be the break-even point for a distribution setup. By doing so the percentage of villages covered comes to only 10 percent of all the villages, but the rural population covered will be substantial, to the extent of about 40 to 45 percent. With a distribution network in about 55,000 villages, which have a population of 2,000 persons & above each, one can cover about 25 crores
rural consumers. This strategy is good to begin with & then subsequently, villages with lesser populations can be added.

2. **Segmentation**: The number of villages in India is huge & it is not viable to contact & serve all villages directly. Therefore, companies or distributors can carefully examine the market potential of different villages & target the villages that can be served in a financially viable manner through an organized distribution effort.

3. **Shandies/haats and melas**: The use of captive audience points like melas, haats and fairs has contributed significantly in order to increase the sales of the products in rural areas. There are about 47,000 haats and about 25,000 melas (90% are religious and only 10% have commercial values) which are targets as the distribution points to increase the sales of products in these hinterlands.

4. **Distribution up to feeder markets**: Keeping in view the hierarchy of the rural villages, feeder markets or mandi towns offer excellent scope for distribution. The stockiest and distributors appointed in these areas are responsible to supply the products to the far situated villages.

5. **Use of co-operative societies**: There are over 3 lacks co-operative societies operating in rural areas for different purposes like marketing cooperatives, farmer’s service cooperatives and other multipurpose cooperatives. These cooperatives have an arrangement for centralized
procurement and distribution through their respective state level federation. Such state level federation can be motivated to procure and distribute consumables items and low value durable items to the members to the society for serving to the rural consumers. Many of the societies extend credit to the members for purchases.

6. **Utilization of public distributor system**: The PDS in the country is fairly well organized. The revamped PDS places more emphasis on reaching remote rural areas like the hills and tribal’s. The purpose of PDS is to make available essential commodities like food grains, sugar, kerosene, edible oils and others to the consumers at a reasonable price. The shops that distribute these commodities are called fair price shops. These shops are run by the state civil supplies corporation, co-operatives as well as private entrepreneurs. Here again, there is an arrangement for centralized procurement and distribution. The manufacturing and marketing men should explore effective utilization of PDS.

7. **Utilization of multipurpose distribution centers by petroleum/oil companies**: In order to cater to the rural areas the petroleum/oil companies have evolved a concept of multipurpose distribution centers in rural areas. In addition to petrol/diesel, lubricants, these outlets also stock consumables agricultural inputs like fertilizers, pesticides and
seeds. It is estimated that there are about 450 such outlets in operation in the country.

**Conclusion**

Finally, it is certain that companies will have to really gain inroads in the rural markets in order to achieve double digit growth targets in future. There is huge potential and definitely there is lot of money in rural India but the smart thing would be to weigh in the roadblocks as carefully as possible. The companies entering into the rural markets must do so for strategic reasons and not for tactical gains as rural consumer is still a closed book and it is only through unwavering commitment that the companies can make a dent in the market. It is therefore needs to be treated differently keeping into consideration the diverse consumer buying behaviour and unorganized market structure. It would be better if companies consider the rural sector as a not much known international market and use polycentric rather than the ethnocentric approach to service it. Ultimately, the winner would be the one with the required resources like time and money and also with the much needed innovative ideas to tap the rural markets.

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