



Opportunities and challenges of rural market in India

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Abstract

Today the rural market offers a vast untapped potential. Development programs in the field of agriculture and related activities such as health education, communication, rural electrification, etc have improved the lifestyles of village population. Rural India, which accounts for more than 70 per cent of the country's one billion population, is not just witnessing an increase in its income but also in consumption and production. It is in this background that rural marketing has emerged as a special marketing strategy. More than 70 percent of the country's consumers are in the rural market and more than half of the national income is generated here. The rural market is very much larger than the urban in the aggregate and represents the largest potential market in the country. Still it faces various problems with respect to marketing, product designing and positioning, pricing, distribution and promotion. The Indian rural market is bigger and vast in size with its larger consumer base; it offers great opportunities for the marketer. The marketers must understand the growing complexities of the rural market and develop the strategies to tackle them successfully. The key to face the challenges is to understand the market, the consumer requirement and conduct.

Keywords: population, rural market, consumption, promotion and problems

Introduction

The Indian rural market with its vast size and heterogeneous demand base offers great lucrative opportunities to marketers. After all, two thirds of countries consumers live in rural areas and almost half of the national income is generated in the rural hinterland. India is classified into around 739 districts, and approximately 64,94,81 villages, which can be segmented in different parameters such as literacy levels, accessibility, distribution networks, income levels, market penetration, distances from nearest towns, etc. Recent developments, which has taken place in the rural areas under the five- year plans and other such special programs, are phenomenal. The overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. Today the rural market offers a vast untapped potential. Development programs in the field of agriculture and related activities such as health education, communication, rural electrification, etc have improved the lifestyles of village population. Rural India, which accounts for more than 70 per cent of the country's one billion population is not just witnessing an increase in its income but also in consumption and production. It is in this background that rural marketing has emerged as a special marketing strategy.

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the market, the consumer requirement and conduct. The market structure in India is dichotomous having rural and urban markets. But many do not concur with this view as they contend that consumer everywhere is a consumer and hence their needs, aspirations, beliefs and attitudes will also be the same. The fact, however, remains that there are certain unique characteristic features which call for separate marketing strategies to be distinctively developed to suit the rural and urban market behavior. During 2001-2011 the rural population improved by 90.4 million, and the number of villages increased by 2,279 in between 2001-2011. The majority of world's rural population breathes in rural India. The demand and living pattern of Indian rural habitants are different and varies considerably. The cultural dimensions also vary. These factors certainly make an impression on the need and behaviour of rural consumers. With its vast size and widespread array of consumers, marketers have been finding it difficult to comprehend and enter into rural areas, and finding difficulties to understand the norms of entering into the rural market.

FMCG sector identified "Rural" as place with a population less than or equal to 20,000 peoples. FMCG refers to consumer non-durable goods required for daily or frequent use. They move fastly at the sales counter. Normally consumer devotes less time and efforts in buying these goods. They are relatively high volume and low value products. The FMCG sector consists mainly of subsegment viz., personal care, oral care, and households products. Rural marketing signifies those business activities that bring in the drift of goods from urban sectors to the rural regions of the country as well as the marketing of non-agriculture merchandises from rural to urban areas. Indian rural market is massive in size, encompassing 834 million consumers and it is dispersed and wide-spread over 6.40 lakh villages, and these villages are not uniform in size. The rural markets are characterised by small purchasing power and low per capita

income clubbed with high sense of savings, low literacy rate, resulting in low standard of living. In addition to this, the traditions, religious pressure, and cultural values are the hindering factors for an upwards social mobility. Apart from this, the distribution of income varies considerably due to the variation in the landholding pattern. Thus rural population presents a highly heterogeneous market. The purchasing powers of the people in the rural areas mainly depend upon marketable agricultural surplus and rural-urban trade. Increase in marketable surplus of food grains leads to the consumption of manufactured consumer goods. To a larger extent Indian agriculture depend on rainfall and therefore, rainfall indirectly influences the rural demand for consumer goods.

Importance of rural markets

With the presence of 12.2% of the world population in the villages of India, the Indian rural FMCG market is something no one can overlook. Increased focus on farm sector will boost rural incomes, hence providing better growth prospects to the FMCG sector. Better infrastructure facilities will improve their supply chain. FMCG sector is also likely to benefit from growing demand in the market. Because of the low per capita consumption for almost all the products in the country, FMCG companies have immense possibilities for growth, at present 53 per cent of all FMCGs and 59 per cent of all consumer durables are being sold in rural India. The biggest FMCG Company in India HLL derives more than half of its Rs. 12,000 crore revenues from the rural markets. The rural market is an enigma for the companies. Due to the lack of deeper insights into the psyche of the rural consumers, no one can overlook. Increased focus on farm sector will boost rural incomes, hence providing better growth prospects to the FMCG sector. Better infrastructure facilities will improve their supply chain. FMCG sector is also likely to benefit from growing demand in the market. Because of the low per capita consumption for almost all the products in the country, FMCG companies have immense possibilities for growth, at present 53 per cent of all FMCGs and 59 per cent of all consumer durables are being sold in rural India. The biggest FMCG Company in India HLL derives more than half of its Rs. 12,000 crore revenues from the rural markets. The rural market is an enigma for the companies. Due to the lack of deeper insights into the psyche of the rural consumers, chesitant to explore this territory. But local brands, like "Ghadi" detergent in Kanpur, have been able to successfully tap the opportunities presented by rural market. And if the companies are able to change the mindset of the consumers, i.e. able to take the consumers to branded products and offer new generation products, they would be able to generate higher growth in the near future. It is expected that the rural income will rise in 2010, boosting purchasing power in the countryside. At present, urban India accounts for 66% of total FMCG consumption, with rural India accounting for the remaining 34%. However, rural India accounts for more than 40% consumption in major FMCG categories such as personal care, fabric care, and hot beverages. In urban areas, home and personal care category, including skin care, household care and feminine hygiene, will keep growing at relatively attractive rates. Within the foods segment, it is estimated that processed foods, bakery, and dairy are long-term growth categories in both rural and urban areas.

Review of Literature

Review of related literature makes the investigator fully aware with the previous work that has been done. It also provides an opportunity of gaining insight into the method, measures, subject and approaches employed by the other researchers.

Badi, R.V. & Badi, N.V. (2004) The opinion that Rural market development in India will help the process of activating factors of production leading to higher rate of economic growth, dispersal of economic activities, development of rural and tribal areas, employment opportunities, improvement of living standards of rural masses by empowerment and their active involvement in the process of growth.

Prahlad, C.K. (2007) Enumerates that the future lies with those companies who see the poor as their customers. He further explains that what is needed is a better approach to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win-win scenarios where the poor are actively engaged and, at the same time, the companies providing products and services to them are profitable.

Kotni, V.V Devi Prasad (2012) proposed to undertake this study to find out various ways to tap the potential rural markets. The main aim of this study was to observe the potentiality of Indian Rural Markets and finding out various problems are being faced by rural markets. This paper attempted to provide a brief literature on rural marketing and finally offers policy recommendations for better performance of rural markets by adopting SWOT analysis matrix to rural markets.

Kaur, Manpreet (2013) Attempted to find out the various initiatives taken by HUL to reach the rural consumer. Hindustan Unilever is the pioneer and largest player in India's FMCG market. HUL was the first company to step into the Indian rural marketing. HUL started its first effort towards going rural 1960's onwards, through indirect coverage of accessible rural market through its urban network stockists and distributors. HUL proactively engaged in rural development in 1976 with Integrated Rural Development Programme in Etah district of Uttar Pradesh.

Methodology

The method used in this paper is descriptive-evaluative method. The study is mainly review based. In the context of the current study we have used secondary data. Secondary data we have used internet websites, journals, newspaper and books etc.

Objectives

The study is based on the following objectives

- To know about opportunities and Challenges of Rural Marketing in India.
- To find out the problems faced by the rural customers in India.

Opportunities of Rural Market

The Indian progression story is now spreading itself to India's hinterland, not just witnessing an increase in its income but also in consumption and production. The economy is vibrant, income is rising, and the habits, tastes, preferences, and attitudes are altering speedily. The rural market has grip of strong country's shops, which affect the sale of various products and services in the rural market.

The companies are trying to activate growth in rural areas. The low rate finance availability has also increased the affordability of purchasing the costly produces by the rural people. Although with the considerable upgradation in purchasing power, increased brand consciousness pattern and rapid spread of communication network, rural India offers a plethora of opportunities, all waiting to be harnessed. India's rural market offers a huge potential for the marketers and seems to be the replacement of urban market.

Challenges of Rural Market in India

The rural market, by and large, are characterized by underdeveloped people and consequently underdeveloped market. A vast majority of rural people are not financially customs, traditional in their habits and practices. Unfortunately, the impact of agricultural technology has not been felt consistently throughout the country. The large segments of rural population have remained untouched by technological breakthroughs. There are enormous variations in the levels of literacy amongst rural people. Around two-fifth of the rural population is illiterate and only one-fifth holds a matriculate or higher degree. Also, literacy levels vary hugely among different states. These variations pose a challenge to easy and clear understanding of the message by all sets of rural audience. The limited reach of mass media in rural areas and its regional and state variations pose limitations on a universal approach to communication for rural consumers.

Results and Discussions

The rural markets are full of challenges because of its characteristics like illiteracy, distances, vast markets potential, communication, rail and road transportation, distribution of products and services, understanding consumer behaviour, socio-cultural factors, languages, lack of infrastructural facilities etc. The rural market is so wide, distant and vast that it is difficult to cover and reach. One segment is totally different from other segments. Every district, region and state is different from others. The whole India is different in itself and even then it is an ideal example of a country having different cultures. It is incredible India. Knowing Rural India is a very difficult task, its spirit, feelings, warmth, distinctness, shyness, innocence and beyond that. If marketing / sales men try to play tantrums or cheat them, they feel disgusting and try to make distance from these people. Next most important point is that many marketing men still don't know real needs of rural consumers. Designing wrong products, services and poor strategy without knowing rural India where their own consumer in the villages lives. It is also difficult to get skilled sales person conversant with rural culture. Though, marketing heads are educated from abroad and top institutions of the country but poor in knowing their consumer. There is gap in their knowledge what they know and what is in the reality about rural consumers. That is why many products have witnessed failures in rural markets. The number of the villages is more than five lakhs and is not constant in size. Nearly half of the population lives in middle sized villages which have a population ranging from 1000 to 5000 persons. These types of distribution of population warrants appropriate distribution and promotion strategies to decide the extent of coverage of rural market. The rural per capita income is low as compared to urban

area. Low per capita income leads to low purchasing power. This apart, the distribution of income is highly irregular, since the landholding pattern, which is basic asset, is itself uneven. Thus, rural market presents a highly heterogeneous scene. Therefore few challenges arise in this respect, like; off-taking of any product by rural consumer, maintaining of inventory levels, distribution system options, and frequency of distribution. This aspect should be carefully considered by the marketers. There is a deficiency of proper physical communication facilities in rural areas. Nearly half of the villages in the country do not have proper connectivity.

Conclusion

The major segmentation of mass population is located in rural area. The market potential is huge in rural areas. It is this market strength in rural area that needs to be tapped. Now days even the educational Institutions are concentrating on rural marketing, have developed special management programs to cater to rural marketing and are doing market research in rural places. Rural markets are rapidly growing in India but have often been ignored by marketers. Rural market also paybacks the rural economy by providing infrastructure facilities, elevating the standard and quality of life of the people residing in rural areas. Though the rural market has become a desired destination for every marketer, it is important to comprehend that it has lot of challenges and risk; therefore companies should assess the obstacles as heedfully as possible. The rural market is developed by escalating purchasing power, changing consumption pattern, increased access to information and communication technology, improving infrastructure and increased government initiatives to boost the rural economy. The marketers tune to their strategies in harmony to the rural consumer in the coming years. In spite of all complexities involved in the rural marketing, the scene of rural environment is varying steadily in India. The biggest challenge today is to develop a scalable model of persuading the rural customer mind over a large period of time and keep it going. Traditional urban marketing strategies will have to be localized as per the demands of the rural markets. It has to reach out to rural shoppers and relate to them at affitting level, so that it can bring about the desired behavioural change. Government support is necessary for the development of rural market in India to face the emerging issues and challenges in the primary areas like; transportation, communication, roads, and credit institutions, crop insurance for better utilization of land and water management. The rural markets are enticing and marketing to rural consumers is exciting. However, a strong understanding or the rural consumers and their current and future expectations are the major part of strategies to tap the rural market nowadays.

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