



THE PRESENT SCENARIO OF INDIAN RURAL MARKET

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ABSTRACT

India has grown in a variety of sectors. There are indicators of excellent performance in infrastructure development, education and health care, public distribution of foods and commodities, and exports over the recent past. Under the changing economic scenario, the rural markets have great potentialities in India and offer bright prospectus and attractions to the companies. More than three-fourth of country's consumer base resides in rural areas and more than half of the national income is generated by them. All the major industries in India are tilting towards rural India as the Indian rural market is full of opportunities and has been impressive growth in the recent years. This paper "The Present Scenario of Indian Rural Market" aims at studying the different aspects of rural marketing. This paper includes paradigms of rural Indians, rural marketing mix, rural marketing strategies and its opportunities and challenges.

INTRODUCTION

In recent years, Rural Markets have acquired significance in countries like India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities. On account of green revolution in India, the rural areas are consuming a large quantity of industrial and urban manufactured products. The rural markets in India have grown in size, range and sophistication in recent times. Under the changing social-economic scenario, the rural markets have great potentialities in India and offer bright prospects and attractions to the companies. The rural market is the new driving force of the "Indian Consumption Story". With only 31.16% of the Indian population living in the urban area and 68.84% residing in the villages. (Census 2011), it is only the matter of time before rural India takes its rightful place in the Indian growth story. Businesses are looking for new opportunities and avenues as a result of saturation in urban markets (Iyer, 2009). The villages



which were once inconsequential are now getting the attention of companies across different sectors. All the major industries in India are tilting towards rural India as the Indian rural market is full of opportunities and has seen impressive growth in recent years. Today rural consumers have almost broken all the prevailing barriers. Momentous growth in purchasing power, improvement in literacy level, change in lifestyle, increasing brand awareness, changing consumption pattern, improvement in infrastructural facilities and rapid spread of communication networks in the rural areas have presented a growing potential of rural India for the companies. The corporate sector is, therefore, increasingly looking towards the rural consumers and fine-tuning their marketing strategies in order to promote their products and services in the rural areas.

STATEMENT OF THE PROBLEM

The rural markets, as a part of the economy, have untapped potential. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India is still in evolving shape, and the sector poses a variety of challenges, including understanding the dynamics of the rural markets and strategies to supply and satisfy the rural consumers.

OBJECTIVES OF THE STUDY

The purpose of this paper is to achieve the following objectives:

1. To access the potential of Indian rural market.
2. To gain an understanding of changing Indian rural consumer and rural markets.
3. To determine the major challenges and opportunities in the Indian rural market.
4. To offer a basic strategy for the marketer to adopt in the Indian rural market.
- 5.

METHODOLOGY

The analysis performed and the conclusions drawn in this paper are primarily based on the collection of secondary data. The approach undertaken involved collection of secondary data from various sources of publications, including magazines, books, journals, research articles, the internet and published records of Government of India.



LITERATURE REVIEW

In the words of Beshouri (2006), “the size of the rural Indian market is estimated to reach US\$577 billion in twenty years, which is larger than the total consumer markets in countries such as South Korea or Canada, and is almost four times the size of the urban Indian market today. This means that businesses can no longer ignore rural markets and “going rural” is not just an option but a business necessity for businesses operating in India”.

According to Beinhocker, Farrell & Zainubhai (2007), “In terms of prosperity, extreme rural poverty is projected to drop to 26% by 2025, a massive decline of 68% from 1985 levels.

According to Craig & Douglas (2011), “However, the actual potential of rural economy exceeds the official estimates, since there is substantial bartering and a sizeable informal economy, which does not appear in official statistics. Consequently, the low figures for per capita income underestimate the actual standard of living as well as the ability to purchase non-food items”.

In the words of Manwani (2012), “By 2025, the Indian rural market is expected to grow more than tenfold, to become a US\$ 100 billion opportunity for retail spending”.

WHY PURCHASING POWER OF RURAL INDIANS IS BOOSTING?

Different companies like Maruti Suzuki, Hero Honda, Hindustan Unilever, ITC, LG, Samsung, Nokia, Idea, Airtel etc. all moving towards rural India to overcome the slowdown in urban market. Rural India which was unnoticed for the past several years is now at the centre of attention for the companies. There was positive growth in rural GDP, which amplified the spending power of rural folks. Government initiatives like the farm loan waivers, Bharat Nirman Programme for building rural infrastructure also boosted rural economy. **The following factors give boost to purchasing power of rural folks:**

- **Government Investment**

Government’s investment in rural areas gave a sharp rise to the growth of rural areas. Government is emphasizing on development of infrastructure like roads, housing, telecommunication, electrification and irrigation under the national projects called Bharat Nirman Yojana. Thus, the overall development of rural India assisted in increasing the purchasing power of rural people, besides raising the quality of rural life. There is also a marked increase in the rural income due to agrarian prosperity. All this has left rural people



richer and more ambitious, enabling the companies to rush in with special schemes and tailor made products for the highly price sensitive rural markets.

- **Increase in Literacy and Education**

Rise in literacy and educational level among rural people also has a bearing in boosting the purchasing power. Thus, there exists tremendous potential in rural India and the companies are coming forward to harness it for the prospects of marketing their products and services.

- **National Rural Employee Guarantee Act**

The basic problem in rural areas is low income of rural people, which is also seasonal in nature. To solve this issue, the government started National **Rural Employee Guarantee Act (NREGA)**, which guarantees 100 days of employment to every adult in rural areas every year. The implementation of this act is a significant reason for surge in rural income and it decreased the dependence on farm income to a large extent.

RURAL MARKETING MIX

The Indian rural market is seen as the most lucrative segment because companies across different sectors are wooing them to support their momentum of business growth. Rural markets offer opportunities, which are enormous and relatively untapped. They present tremendous prospects for companies to sell their products and services. Companies resort to a number of strategies like repositioning of brands, repackaging products and re-pricing them, all with an eye on rural wallets. The overall marketing mix framework for rural markets focuses around delivering the right product, delivering value for money pricing, using effective means of promotion, selecting the most appropriate method of distribution and building long term relationship with the customers in order to sell their products. In case of rural marketing mix, there are 4A's of marketing which are as follows:

- **Affordability:** Affordability is critical to success in rural markets as the consumers in rural areas are value-conscious and a lot savvier. They are willing to pay for product if it is worth it. To access the rural markets, companies follow the strategy of low priced products and small stock keeping units (SKU). The smaller SKU strategy is used by companies to increase product penetration, as trials would increase due to a lower put-down price. Smaller packets are more affordable, so they offer consumers a chance to try out products before graduating to a larger pack. HUL initiated "Operation Bharat" to tap rural markets by bringing out low priced sample packets of its toothpaste, fairness creams, shampoo and other products.



- **Awareness:** companies create brand awareness with the help of appropriate media to gain acceptability about its products in rural markets. The FMCG companies are venturing into rural markets with their innovative strategies to create brand awareness about their products. FMCG companies like Hindustan Unilever, P&G, Colgate and Godrej are gearing up for bigger advertisement and sales promotion campaigns for rural markets to create brand awareness.
- **Availability:** In rural areas places are far flung and not well connected to proper roads, delivering the product to rural markets is a great challenge for companies. Companies have realized this and are trying to be creative in this situation. For making their products available to consumers, companies adopt a variety of means such as direct selling, using company delivery vans, rural mandis and setting up of temporary stalls in melas or haths etc.
- **Acceptability:** To obtain accessibility for the product, there is a great need to offer products and services according to the needs of rural consumers. For instance, Nokia had earlier launched a basic handset with a torch and alarm clock. In December 2008, the company launched Nokia life tools which are a range of agriculture, education and entertainment services designed especially for consumers in small towns and rural areas of emerging markets.

RURAL MARKETING RESEARCH FOR BUSINESS PLANNING

Rural Market Research is for discovering what the rural people, the farmers want, need or believe. It can also involve discovering how they act. Once the research is complete it can be used determine how to market your specific product.

For starting up a business there are a few things that are important.

- **Market Information:** Market information is making known the prices of the different commodities like seeds, fertilizers, farm equipments etc. Information about the market can be obtained in several different varieties and formats.
Examples of market information questions are:
 1. Who are the consumers?
 2. Where are they located and how they can be contacted?
 3. What quantity and quality do they want?
 4. What is the best time to sell?
- **Market Segmentation:** Market Segmentation is the division of the market or population into subgroups with similar motivations. Widely used basis for segmenting include geographic differences, personality differences, demographic differences, use of product difference and psychographic difference.



- **Market Trends:** the upward or downward movements of a market, during a period of time. The market size is more difficult to estimate if you are starting with something new. In this case you will have to derive the figures from the number of potential customers or customer segments.

RURAL MARKETING STRATEGIES

Rural markets and rural marketing involves a number of strategies which includes:

- **Seller and Location specific promotion** involves a strategy designed to be suitable to the location and the seller.
- **Joint and co-operative promotion** strategy involves participation between the marketing agencies and the client.
- **Bundling of inputs** denote a marketing strategy, in which several related items are sold to the target client, including arrangements of credit, after-sale service.
- **Management of demand** involves continuous market research of buyer's needs and problems at various levels so that continuous improvement and innovations can be undertaken for a suitable market performance.
- **Developmental marketing** refers to taking up marketing programmes keeping the development objectives in mind and using various managerial and other inputs of marketing to achieve these objectives.
- **Media** both traditional as well as modern media, is used as a marketing strategy.
- **Unique selling propositions (USP)** involve presenting a theme with the product to attract the client to buy that particular product. For example, some of the famous Indian Farm equipments manufacturers have coined catchy themes, which they display along with the products, to attract the target client that is the farmers. Some of such themes would read like:
 - Gaon ke dil ki dhadkan – The heartbeats of rural India.
 - Khushali aur tarak ke liye- For the sake of progress and prosperity.
- **Extension services** denote, a system of attending to the missing links and providing the required know-how.
- **Ethics in business.** form an important plan for rural markets and rural marketing.
- **Partnership for sustainability** involves laying and building a foundation for continuous and long lasting relationships.



MARKETING OPPORTUNITIES AND CHALLENGES

To gain deeper insights into the Indian rural markets and to understand the challenges and opportunities in such markets, it is necessary to analyze both internal and external conditions prevalent in the rural markets. Only after such an analysis, the challenges can be identified and appropriate strategies can be formulated.

An analysis of Indian rural markets reveals that its greatest strength lies in its largely untapped rural consumer base. A market with such promising potential cannot be ignored by businesses. The progressively rising income and consumption levels further add to the attraction of this market. Improving connectivity with urban area, increasing media penetration and rising literacy levels have resulted in greater product awareness, making marketing in rural India easier and more effective. The presence of fewer players in rural markets means that businesses that take the lead in establishing rural operations would face little competition in the early years. This makes it prudent to enter these markets at the earliest. Also the ever increasing focus of government on developing rural India through access to better education, better roads, greater employment opportunities, easy credit availability and so forth further enhances the future potential of the Indian Rural Market.

But there exist some challenges and problems in the rural markets, businesses cannot ignore the risks associated with rural markets. The India rural sector has just started developing; there are insufficient infrastructural facilities, which make investments by new businesses risky. Poor media penetration and low literacy rates in rural India are significant obstacles to any marketing effort. Such conditions, coupled with rising yet still relatively low household income, sparsely located population and frequent language variations across villages make marketing India all the more difficult.

CONCLUSION

While rural consumers in emerging marketing economies offer tremendous potential, yet capitalizing on this potential necessitates the formulation of a well thought out and creative strategy, which must focus on such aspects of marketing, such as the product suitability, relationship building, promotion and distribution. Mere modification of existing urban plans to rural markets would not serve the purpose. The government needs to play a positive role in the development of rural markets in association with the local NGO's. Improving infrastructure capacities, initiating community development programs, offering better employment opportunities, simplifying credit availability and so forth would make such markets ever more attractive. The future of businesses operating in India lies in rural markets



and those that fails to accept and adapt to this fast approaching reality run the risk of being rendered irrelevant.

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