



RESEARCH ARTICLE

THE CHALLENGES, OPPORTUNITIES AND DEVELOPMENTS
OF RURAL MARKETING IN INDIA

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ABSTRACT

The paper describes the problems, opportunities, challenges and developments of rural marketing in India. Rural markets have become integral part of global market. The rural market is becoming more stable as the lifestyle and shopping behavior of consumers are undergoing rapid change and improvement. So, every marketing player is keen to invest in rural markets. Though there is huge potential and substantial growth opportunities in the rural markets, yet there are some challenges too, which caused hurdles in tapping rural markets. This study analyzes the current scenario of rural marketing, highlighting the challenges and developments related to rural marketing.

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INTRODUCTION

The term 'rural marketing' used to be an umbrella term for the people who dealt with rural people in one way or other. This term got a separate meaning and importance after the economic revaluation in Indian after 1990. The rural market has been growing steadily over the past few years and is now even bigger than the urban market. 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. FMCG manufacturers and retailers focused on the unique needs of the rural Indian consumer shopping basket. The change in lifestyle and shopping spending has not only been seen in the urban consumers but has reached the rural consumers' mind too. The consumers are becoming more aware now and want a value for the money spent on purchasing. While small-sized packages are vital for entry into the market, as the purchasing power increases, rural consumers are increasingly buying larger packs at a lower cost per serving. Rural consumers are keen on branded goods nowadays, so the market size for products and services seems to have burgeoned. The rural population has shown a trend of moving to a state of gradual urbanization in terms of exposure,

habits, lifestyles, and lastly, consumption patterns of goods and services. So, there are dangers on concentrating more on the rural customers. Rural customers are gradually transforming into urban, metropolitan, and even cosmopolitan customers. Improved education, rapid means of transportation, access to advance communication, raised living standards, craze to follow modern (even ultramodern) life pattern, and many similar factors have drastically changed rural consumer behavior. Creating brand awareness among rural consumers is little difficult. Consumers are always willing to try out new products. Rural market is highly price sensitive and understanding price positioning for rural market is critical. A frequent raise in price will not work in rural market instead it will minus consumer base. A recent consumer survey report by Nielsen one of the leading global provider of insights and analytics into what consumers watch and buy says the fast-moving consumer goods (FMCG) market in rural India will hit the \$100 billion mark by 2025 and that inflation and pricing will be outstripped by consumption. Four key areas of consumption premiumisation, commoditization, indulgence and brand acceptance will help drive tens of billions of dollars in sales across rural India in the coming years, says the report. So, before venturing into the other aspects of rural marketing let us discuss the brief overview of rural market of India.

Brief Overview of Rural Market of India

Rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or

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consumption and there is also outflow of products to urban areas. The urban to rural flow consists of agricultural inputs, fast moving consumer goods (FMCG) such as soaps, detergents, cosmetics, textiles, and so on. The rural to urban flow consists of agricultural produce such as rice, wheat, sugar, and cotton. There is also a movement of rural products within rural areas for consumption. The Indian rural market with its vast size and demand base offers great opportunities to marketers. It is only natural that rural markets form an important part of the total market of India. Our nation is classified in approximately 630000 villages, which can be sorted in different parameters such as literacy levels, income levels, penetration, distances etc. The main reason why the companies are focusing on rural market and developing effective strategies is to tap the market potential that can be identified as follows:

- **Large and scattered population:** Nearly 70 per cent of India's populations live in rural areas. The rate of increase in rural population is also greater than that of urban population. The rural population is scattered in over 6 lakhs villages. The rural population is highly scattered, but holds a big promise for the marketers.
- **Higher purchasing capacity:** Purchasing power of the rural people is on rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.
- **Market growth:** The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durables such as refrigerators, TV and washing machines have also grown over the years.
- **Development of infrastructure:** There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.
- **Low standard of living:** The standard of living of rural areas is low and rural consumers have diverse socioeconomic backwardness. This is different in different parts of the country. A consumer in a village area has a low standard of living because of low literacy, low per capita income, social backwardness and low savings.
- **Traditional outlook:** The rural consumer values old customs and traditions. They do not prefer changes. Gradually, the rural population is changing its demand pattern, and there is demand for branded products in villages.
- **Marketing mix:** The urban products cannot be dumped on rural population; separate sets of products are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers.

Indian Rural Market

The Indian rural market has a huge demand base and offers great opportunities to marketers. According to the third annual edition of Accenture Research, "Masters of Rural Markets: From Touch points to Trust points - Winning over India's Aspiring Rural Consumers," rural consumers are particularly aspiring or striving to purchase branded, high quality products. Consequently, businesses in India are optimistic about growth of the country's rural consumer markets, which is expected to be faster than urban consumer markets. The report highlights the better networking among rural consumers and their tendency to proactively seek information via multitude sources to be better informed while making purchase decisions. Importantly, the wider reach of media and telecommunication services has provided information to India's rural consumers and is influencing their purchase decisions. In line with general trend, rural consumers are evolving towards a broader notion of value provided by products and services which involves aspects of price combined with utility, aesthetics and features, and not just low prices. The hinterlands in India consist of about 650,000 villages. These villages are inhabited by about 850 million consumers making up for about 70 per cent of population and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing to increasingly resemble the consumption patterns of urban areas. Some of India's largest consumer companies serve one-third of their consumers from rural India. Owing to a favorable changing consumption trend as well as the potential size of the market, rural India provides a large and attractive investment opportunity for private companies. India's per capita GDP in rural regions has grown at a Compound Annual Growth Rate (CAGR) of 6.2 per cent since 2000. The Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is expected to cross US\$ 20 billion mark by 2018 and reach US\$ 100 billion by 2025@.

Problems In The Booming Rural Marketing

The rural, market may be attractive, but has its own problems. Although the rural market does offer a vast untapped potential, it should also be recognized that it is not that easy to operate in rural market because of several problems. 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. The major problems faced are:

- **Under developed People and under developed Markets:** The number of people below poverty line has not decreased in any appreciable manner. Thus underdeveloped people and consequently underdeveloped market by and large characterize the rural markets.
- **Media for Rural Communication:** Among the mass media at some point of time in the late 50's and 60's radio was considered to be a potential medium for communication to the rural people. Another mass media is television and cinemas. Statistics indicate that the rural areas account for hardly 2000 to 3500 mobile theatres, which is far less when compared to the number of villages.

- **Many Languages and Dialects:** The number of languages and dialects vary widely from state to state, region to region and probably from district to district. The messages have to be delivered in the local languages and dialects. Even though the number of recognized languages is only 16, the dialects are estimated to be around 850.
- **Dispersed Market:** Rural areas are scattered and it is next to impossible to ensure the availability of a brand all over the country. Seven Indian states account for 76% of the country's rural retail outlets, the total number of which is placed at around 3.7 million. Advertising in such a highly heterogeneous market, which is widely spread, is very expensive.
- **Low Per Capita Income:** Even though about 33-35% of gross domestic product is generated in the rural areas it is shared by 74% of the population. Hence the per capita incomes are low compared to the urban areas.
- **Low Levels of Literacy:** The literacy rate is low in rural areas as compared to urban areas. This again leads to problem of communication for promotion purposes. Print medium becomes ineffective and to an extent irrelevant in rural areas since its reach is poor and so is the level of literacy.

The Challenges In The Rural Market

The peculiarities of rural markets and rural consumers pose challenges to marketers in reaching them effectively. "There are things like inter-channel clash. This is very typical to all of us FMCG manufacturers; we have a distributor who sales a particular product in a particular set of markets, we may have a sub-stockiest or stockiest who sells in one of the smaller markets, which is a situation where one sells products into another's market. These are the clashes that you have to deal with and these are the real marketer's challenges because those are your customers with whom we have to deal on a day-to-day basis and grow business for them."

Industry officials said rural consumers have become cautious on expenses as disposable incomes have decreased substantially. The rural market contributes 35-40% sales to the FMCG industry in India. Although rural India still holds the promise of the bright future that FMCG companies are looking up to for long-term growth, it currently poses a serious challenge.

The 4a Approach, The rural market may be alluring but it is not without its problems: Low per capita disposable incomes that is half the urban disposable income; large number of daily wage earners, acute dependence on the vagaries of the monsoon; seasonal consumption linked to harvests and festivals and special occasions; poor roads; power problems; and inaccessibility to conventional advertising media. However, the rural consumer is not unlike his urban counterpart in many ways. The more daring MNCs are meeting the consequent challenges of Availability, Affordability, Acceptability, and Awareness. (The so-called 4 A's).

Availability: The first challenge is to ensure availability of the product or service. India's 627,000 villages are spread over 3.2 million sq km; 700 million Indians may live in rural areas, finding them is not easy. Any serious marketer must strive to

reach at least 13,113 villages with a population of more than 5,000. Over the years, India's largest MNC, Hindustan Lever, a subsidiary of Unilever, has built a strong distribution system, which helps its brands reach the interiors of the rural market.

Affordability: The second challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer, most of who are on daily wages. Some companies have addressed the affordability problem by introducing small unit packs.

Acceptability: The third challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market.

Awareness: Mass media is able to reach only to 57% of the rural population. Creating awareness then, means utilizing targeted, unconventional media including ambient media. For generating awareness, events like fairs and festivals, Haats, etc., are used as occasions for brand communication. Cinema vans, shop fronts, walls and wells are other media vehicles that have been utilized to increase brand and pack visibility. Idea was to advertise not only at the point of purchase but also at the time of consumption. With large parts of rural India inaccessible to conventional advertising media - only 41 per cent rural households have access to TV - building awareness is another challenge.

Opportunities In Rural Market of India

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 follow:

Increase in Literacy Rate

Literacy rate is increasing in rural areas. There are more graduates in rural than in urban India. This brings social and cultural changes in buying behavior of the rural customers and more aware about national and international brand. Due to increase in literacy rate they get jobs in nearby towns. They earn urban salaries but continue to live in self owned homes in the villages, they have high purchasing power and prefer to buy branded product. Increasing in disposable income and purchasing power Projects from private companies and the rural employment initiatives by the Government like MNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) schemes have given the rural population an opportunity to meet their daily needs. Government decided to expand the agriculture loan at lower rate of interest and distribute million of Kisan Credit Cards, has given a boost to the income level to the rural sector. Companies have the opportunity to enter in this new market and take the advantage of increased disposable income.

Reduction of Risk during Recession

It has been observed that companies which cater both urban and rural markets tackle the recession in the better way. The demands for goods in the urban market often follow a cyclic whereas in the rural market it is steady. So companies can safeguard themselves from the harmful effects of recession after entering in the rural market.

Infrastructure

Improving rapidly In 50 years only, 40% villages have been connected by roads, in next 10 years another 30% would be connected. Rural telephone density has gone up by 300% in the last 10 years. The government aims to provide LED lights to around 400million homes that do not have an electricity connection by 2017. Rapid development of rural infrastructure is also major attraction for marketers.

Increase Population and hence Increase in Demand:

The rural market in India is vast and scattered and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers. More than eighty percent of rural markets in India still do not have access to any sort of organized marketing and distribution. So there is a sea of opportunities for retailers to serve the consumers in rural and semi urban India. CRISIL study estimates that over 60% of India's population would be residing in rural area in 2026.

Low Penetration Rate

Penetration rate in rural India is very low. Low penetration indicates the existence of unsaturated markets, which are likely to expand as the income level rise as well as awareness increases. It provides an excellent opportunity for the industry players in form of vastly untapped market.

Developments in The Indian Rural Sector

1. The United Economic Forum (UEF), an organization that works to improve socio-economic status of the minority community in India, has signed a Memorandum of Understanding (MoU) with Indian Overseas Bank (IOB) for financing entrepreneurs from backward communities to set up businesses in Tamil Nadu. As part of the agreement, entrepreneurs who have been chosen by the UEF will get term loan / working capital requirements from the bank. The UEF will appoint mentors to guide entrepreneurs for successful implementation of the project, with both IOB & UEF periodically monitoring the progress of the project.
2. Tata Motors, India's biggest automobile company by revenues, plans to aggressively expand its network with a focus on rural markets. The company is aiming to more than triple its network to 1,500 over the next three years from 460 now, making it the biggest such expansion by a passenger vehicle maker in the country so far.
3. Bharti Airtel is applying for a payments bank licence and has involved Kotak Mahindra Bank as a potential investor in the venture, in a bid to tap significant revenue opportunities from the Reserve Bank of India's financial inclusion initiative. Payments banks are meant to fan out into the rural, remote areas of the country, offering limited but critical services such as money transfers, loans and deposit collection. While banks have the knowhow, telecom companies have the network, making it an ideal match.

4. Rural revolution with bharat budget 2016-2017 has certainly created a ground for rural revolution with its focus on farm sector and adequate allocations have made for all related schemes such as irrigation crop insurance, farm credit, soil health and others. To supplement the farm sector, rural development as a whole, has got highest ever allocation.
5. Growing at a compounded rate of 14.8 percent the consumer durables market in india is anticipated touch \$12.5 billion in FY15 and the country is expected to become the fifth largest consumer durables market in the world by 2025. Also, the consumer electronics market is expected to increase to \$400 billion, while production could reach \$104 billion by 2016.

Government Initiatives

6. 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.
7. E-commerce players like Flipkart, Snapdeal, Infibeam and mobile wallet major Paytm have signed Memoranda of Understanding (MoUs) with the government to reach rural areas by connecting with the government's common service centres (CSCs) being setup in villages as part of the 'Digital India' initiative.
8. 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.
9. The Union Cabinet has cleared the Pradhan Mantri Krishi Sinchae Yojana (PMKSY), with a proposed outlay of Rs 50,000 crore (US\$ 7.5 billion) spread over a period of five years starting from 2015-16. The scheme aims to provide irrigation to every village in India by converging various ongoing irrigation schemes into a single focused irrigation programme.
10. The Government of India aims to spend Rs 75,600 crore (US\$ 11.34 billion) to supply electricity through separate feeders for agricultural and domestic consumption in rural areas. This initiative is aimed at improving the efficiency of electricity distribution and thereby providing uninterrupted power supply to rural regions of India.
11. To promote agriculture-based businesses, the Government of India has started 'A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE). Under this scheme, a network of technology centres and incubation centres would be set up to accelerate entrepreneurship and to promote start-ups for innovation and entrepreneurship in agro-industry.
12. 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.

13. Banks are working to set up rural ATMs, which will dispense smaller denomination currency notes. "We have encouraged banks to find a solution for bringing in rural ATMs... banks will have to find an appropriate technology solution for a different type of ATM to care for the needs of the rural people," as per Mr R Gandhi, Deputy Governor, Reserve Bank of India (RBI). Confederation of Indian Industry (CII), an association of Indian businesses, plans to set up a centre of excellence for start-ups in smaller towns across the country to help create a conducive environment for their incubation and growth.
14. As is the trend with urban India, consumers in the rural regions are also expected to embrace online purchases over time and drive consumption digitally. The rural regions are already well covered by basic telecommunication services and are now witnessing increasing penetration of computers and smart phones. Taking advantage of these developments, online portals are being viewed as key channels for companies trying to enter and establish themselves in the rural market. The Internet has become a cost-effective means for a company looking to overcome geographical barriers and broaden its reach.
15. Market research firm Nielsen expects India's rural FMCG market to reach a size of US\$ 100 billion by 2025. Another report by McKinsey Global Institute forecasts the annual real income per household in rural India to rise to 3.6 per cent 2025, from 2.8 per cent in the last 20 years.

Evolution of rural marketing

16. The government in its budget for financial year 2016-17 laid focus on rural sector, allocating sizeable funds for agriculture, road infrastructure, and farmers' welfare – all with the intent to uplift rural India.
17. Undeniably, the government too is aware of the fact that the next level of country's growth isn't possible until rural India is brought under the fold of economic development. Given around 70 percent of India's total population is still inhabited in rural areas, it is crucial to connect them with the mainstream and provide them accessibility to all the basic necessities in healthcare, education, agriculture, power, sanitation, and infrastructure, which, somehow, they are currently devoid of.

18. In the last two decades, India has seen massive economic, social and technological growth. While the effects of these have been greatly visible in urban settings, a major portion of the rural population have still been gaping at the benefits from far off and struggling to enjoy them in the same breath as their urban peers. Though multiple public-private partnerships have done some notable work to reduce this urban-rural divide, there is yet a lot more to achieve.
19. Rural India, home to seven out of 10 Indian consumers, will be the driving force for continued and sustained growth in the future. Reaching out to rural Indian consumers today has become easier today. Consumers in rural areas are using new technologies such as mobile internet, e-shopping and television channels, which will help increase brand awareness.\
20. The Union Budget 2016-17 focuses on rural economy with 110 % hike for agriculture sector. It has certainly created a ground for rural revolution with its focus on farm sector and adequate allocations have made for all related schemes such as irrigation, crop insurance, farm credit, soil health and others. To supplement the farm sector, rural development as a whole, has highest ever allocation.

CONCLUSION

The Rural market is a greater future prospect for the marketers and there are many opportunities available for them in rural markets. There is no doubt that the rural India offers tremendous opportunity for any company to tap. However companies face many challenges in tackling the rural markets. Thus looking at the challenges and 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. It is generally believed that markets are created, not found. This is especially true in case of the rural market of India. It is a market for the truly creative marketer.

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