

RURAL MARKETING IN INDIA: A BRIGHTER PERSPECTIVE

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ABSTRACT

Indian Rural markets have been growing at a very faster pace over the last few years. Rural marketing has tremendous importance in the corporate sector. Its importance is rising day by day due to the improvements in the technology in agricultural sector. The rural population in India accounts for around 627 millions which is approximately 74.3% of the total population who resides in 6,38,365 villages. Future of rural marketing is very bright in India. The driving force for this is the rural youth who are educated and have access to technology and have openness to change. This paper focuses on understanding the present and potential position of the Indian rural markets, its attractiveness and its road blocks and would conclude by showing a brighter picture that why paradigm shift from urban markets to rural markets happened. Some live projects by companies like ITC and HUL have also been discussed here. This study is purely exploratory in nature. Rigorous use of data from the internet as well as newspapers has been done.

Index Terms Green Revolution, White Revolution, Agricultural Marketing, Rural Market Potential, Rural Marketing.

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Introduction

In the present scenario, it has become very important to introduce new techniques of rural marketing. With the green revolution and white revolution, some of the social and economic changes happened in villages like change in the consumption pattern, change in the buying habits of consumers and improvement in the standard of living.

People perceive rural marketing as agricultural marketing which is not true whereas rural marketing means the marketing of products which are specially meant for the rural people. Rural marketing also focuses on making villagers aware about the products which are not known to them. It helps in increasing the production of commodities as a result rise in the consumption of such products which will substantially give a boost to Indian economy as a whole.

According to IRDA, a village is a place with a population of less than 5000, with 75% of the male population engage in the agricultural and allied activities and which does not have a municipal corporation or a board or density of population is less than 400 persons per square kilometer. Agriculture is the main occupation of the villagers and hence the income is seasonal in nature.

Companies are witnessing a decline in their growth rate in urban markets due to market saturation and they have a huge untouched and untapped rural Indian market with enormous potential for growth. The rural middle class is growing at a faster pace therefore the marketers are focusing on the villages and are adopting “Go Rural” strategies. Rural marketing is also defined as converting the purchasing power of rural public into an effective demand for different products and services for raising the standard of living.

A survey by the National Council for Applied Economic Research (NCAER) confirms that the rural income levels are matching the urban level and quality of life is improving drastically in rural areas. With the availability of a wide range of products, buyers are getting more inclined towards its quality and features rich products rather than just setting down for anything less.

Objectives of the study

1. To understand the present and potential position of rural markets.

2. To explore the attractiveness of rural markets.
3. To study the road blocks in rural marketing.
4. To offer suggestions for a brighter future.

Research Methodology of the Study The present study is exploratory cum descriptive in nature and is based on rigorous review of newspapers and studies related to the subject to gather an insight of the present scenario of rural marketing in India and the challenges before the success of the same.

Attractiveness of the Indian Rural Markets

The concept of rural marketing in Indian economy has always played an influential role in the lives of people, while we all accept that the heart of India lives in its villages and the Indian rural market with its vast size and demand base offers great opportunities to marketers. The market has been growing at the rate of 3-4% per annum adding more than 1 million new consumers every year. Increase in literacy rates and greater awareness in the rural markets creates new demands and discriminate new buyers.

1. **Increase in Income:** With the increase in education, rural youth have access to latest technology. It has shown the great improvement in the income and also the better economic situations of the persons living in rural India.
2. **Change in consumer behaviour:** The demand of the commodities has increased among the rural folk especially for younger generation. This is also because of the increase in literacy rates. Nowadays the rural buyer is consuming a large variety of both durables and non durables.
3. **Saturation in urban markets:** it is said that urban market is on the verge of saturation. Marketers are finding it difficult to grow further in urban markets as they have already catered almost all the consumers of urban market and also there is a huge competition in the urban markets which results in the saturation of urban markets. At the same time there is a great potential in rural market which is still untapped.

4. **Strong Transportation System:** Due to development of infrastructure facilities i.e. rail, road etc, rural markets have become more accessible than ever before, making it much more easier to supply different products to these untapped regions. Marketers have direct contact with the villages which helps in availability of the product and its promotion. Moreover many warehouses have also been constructed in many villages. Maximum villages have already been electrified.
5. **Technology advancement:** Information technology has played a major role in changing the face of rural market since a decade. Now the rural people have access to latest information because of IT.
6. **Easy Bank Loans:** Every farmer and villager has access to all type of loans from cooperatives as well as other bank for buying seeds, fertilizers etc which helps them to produce more which will in turn increase their income.
7. **Government Aid:** Government initiatives for proper irrigation, infrastructural development, grants for fertilizers, Integrated Rural Development Program, Jawahar Rojgar Yojna, training rural youth for self employment, more kisan credit cards and various other schemes helps to cut down poverty line which has improved the condition of rural people. It has created new employment opportunities in rural India which will increase income of the villagers, increase in their purchasing power which results in overall improvement of Indian economy.
8. **Improved Rural Agricultural Export:** Rural produce i.e. raw fruits and vegetables have the potential market in other countries, The New Export Policy 2000 has given open market status for agriculture, WTO policy for Agro Export has increased exports of Indian agricultural produce which increases income of the rural population.
9. **Good Communication System:** Due to the frequent use of television and mobile phones, the villagers have the prior information about different products and services.
10. **Less Expensive:** Rural Marketing is less expensive than the urban marketing.

Road Blocks of Indian Rural Markets

Though rural markets are a huge attraction to marketers, it is not easy to enter the market and take a sizable share of the market in a short span of time. It is not a bed of roses, it has lots of challenges. They have many road blocks which results in the low consumption affecting our economy.

1. **Low Literacy Rates:** Rural literacy level is 36% as compared to India's average of 52%. There is a lack of education in many rural areas which hinders their growth as well as economy's growth. Even print media is not a relevant option so marketers face the problem of communication.
2. **Low per Capita Income:** Income in rural India is far less as compared to urban population thereby it also results into low consumption.
3. **Poor Connectivity:** Transportation plays a major role in the movement of products from the manufacturing place to the rural markets. We do not have all weather roads, almost in 50% of the villages which poses a big challenge for rural markets. Most of such villages are not reachable during monsoons. Railway is also not connected with many villages.
4. **Conservative Lifestyle:** Rural people are still following old customs and traditions because of which they do not adopt new products easily, hence poses a challenge.
5. **Under Developed Markets:** Most of the Indian rural markets are still deprived of technology which affects overall production, reducing the level of Indian economy.
6. **Poor Communication:** Telephone, telegram and FAX facilities are very poor in the rural areas. Slow communication makes the information sharing slower and therefore the rural markets grow slowly.
7. **Inadequate Banking facilities:** Most of the villages are not having any banks and hence villagers are unable to avail full credit facilities.

8. **Fluctuating Demands:** Demand for commodities in rural areas highly depends on agriculture as it is the main source of income of villagers and is seasonal in nature, so the demand and buying capacity is fluctuating too.
9. **Low standard of living:** Low per capita income, low purchasing power, social and economic backwardness leads to low standard of living which affects demand of different products.
10. **Ineffective distribution channel:** Cost of distribution increases due to presence of too many channels in the system.
11. **Language problem:** Language varies from state to state, region to region and district to district. There are only 16 recognized languages in India but the number of local languages is around 850.
12. **Cautious Purchase:** Rural consumers are cautious in buying and their decisions are slow and delayed, they prefer giving trial and after being satisfied they buy the product, so it is difficult to grab such customers easily.
13. **Low Media coverage:** Media also faces the lot of problems in the rural areas, television is the good source of promotion but in the rural area due to the non availability of power and television this source is ineffective.
14. **Warehousing Problems:** The marketers must have a storage facility as there is a time gap between the production of the product and its consumption. There are a lot of products which are produced seasonally and are consumed over the years so there is a high need for a proper storage facility.

Success Stories

HUL – SHAKTI

Hindustan Uniliver Limited (HUL) started the project Shakti in 2001 with the aim of increasing the company's rural distribution reach as well as providing employment for rural women. The recruitment of Shakti Amma (S.A) for identifying the uncovered villages, the

representative of the companies meet the Panchayat, Sarpanch, and identify the women who they believe will be suitable as a Shakti Amma. After training she is asked to put up Rs 20,000 as investment which is used to buy the products for selling. The products are then sold door to door or through small shops at home by shakti amma. She makes a 10% profit margin on the product she sells. Shakti amma's are able to reach far flung areas which are economically unviable for the companies to tap on its own.

In 2008, company was having 45000 Amma's covering 1000 plus villages across 15 states, reaching 3 million homes. And the long aim of the company is to have 1,00,000 amma's covering 5,00,000 villages and reaching 600 million people. HUL has been successful in maintaining its distribution reach advantage over its competitors. This program will help HUL with a growing customer base which will benefit the company for years to come.

ITC E-CHOUPAL

The E-Choupal model has been designed to handle the challenges posed by the unique features of Indian agriculture, characterized by fragmented farms, weak infrastructure and the involvement of numerous intermediaries. Real time information and customized knowledge provided by e-choupal enhance the ability of farmers to take decisions and align their farm output with the market demands and secure quality and productivity. The aggregation of the demands for farm inputs from individual farmers give them access to the high quality inputs from established and reputed manufacturers at fair prices.

As a direct marketing channel, virtually linked to Mandi system for price discovery, e-choupal eliminates wasteful intermediations and multiple handling. Thereby it significantly reduces transaction cost. E-choupal ensures world class quality in delivering all these goods and services through several products / services specific partnership with the leaders in the respective field in addition to the ITC's own expertise. While the farmers benefit through enhanced farm productivity and higher farm prices, ITC benefits from the lower net cost of procurement having eliminated cost in the supply chain that do not add value.

Launched in June'2000 E-Choupal has already become the largest initiatives among all internet based interventions in the rural area. As India's kisan company ITC has taken care to involve farmers in designing and management of the entire e-choupal initiatives. The active participation of the farmers in this rural initiative has created a sense of ownership in the project among the farmers. They see the e-choupal as the new age cooperative for all practical purposes.

Conclusion

Nowadays rural folks are growing from poverty to prosperity which will lead to increase in purchasing power and standard of living. Today's non consumers comprising the rural poor will enter the market as the first time buyers in large numbers. This will call for a radical shift in management thinking which will lead to market innovation. The market potential is huge in the rural areas. Nowadays even the educational institutions are concentrating on rural marketing and have developed special management programs to cater to rural marketing. Soft drinks, motorcycles, cigarettes, are consumed by rural folks even fast moving consumer goods, consumer durables and LIC policies are sold to rural people more than the urban people. There is a promising future of rural marketing in India.

The vital role rural marketing have to play in economic development of our country is beyond doubt. At present marketers will need to evolve new strategies to connect and communicate with more aware and unreserved consumer than ever before. With this development cycles will need to undergo a dramatic change. By concentrating on rural markets sales will increase automatically, if rural markets are brought into the limelight of development they give way to prosperity. The prosperity of India lies in the prosperity of every Indian hence no rural segment should be left untapped. Literacy rate in rural area is increasing so customer can easily identify the difference between branded and non branded products. The earnings of households are increasing, the internet connectivity, infrastructural development and availability of cheap labour will fulfill the core requirements of the companies, so all these things jointly attract the marketers in the rural areas.

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