

Rural Marketing : Challenges & Strategies

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Abstract:

It is often said that market is made, not found. This is especially true for the rural market in India. Rural marketing is nowadays fascinating the marketers as it has untapped opportunities ahead for them. As 70% of the population resides in rural areas. Therefore, targeting that segment could bring unattainable result and share for the companies. Rural Market has been quite a novel & an interesting marketing concept world over. The large population of people living in the rural areas has led and resulted the different marketers as well as producers to target this rural world. This paper basically talks about all those problems that the Co(s) may or have faced in promoting their products in the rural markets. Different challenges exist for the managers in how to best market their brands and establish themselves amongst rural people. In addition to the challenges & hindrances, the report also focuses on the many opportunities that basically attract the marketers to come and promote their products.

Keyword: rural marketing, marketing, issues, challenges & strategies.

Introduction

Rural markets have acquired significance in India as the overall growth of the economy has resulted in substantial increase in the purchasing power of rural communities. As urban markets are getting saturated and competitive, companies focus themselves in capturing the vast rural market. "Go Rural" is the slogan of marketing gurus after analyzing the socio-economic changes in villages. Rural markets accounts for 54% of FMCG and 60% of durable goods. Rural consumption is getting high as the technology is advancing everywhere and also buying pattern and demand of the rural consumers have changed from basic low-priced product to luxurious ones due to their increased income.

Dynamics of rural markets differs from other market types and similarly its strategies also differ from the marketing strategies aimed at the urban consumers. A firm seeking the share of this rural market has to work for it as the market includes variety of problems such as physical distance, communication risks due to illiteracy, differed tastes and attitudes of rural consumers, risks in setting suitable pricing and distribution strategy etc. considering the environment in which the rural market operates and other related problems, it is possible to evolve effective strategies for rural marketing. Thus future is very promising for those who can understand the dynamics of rural markets.

Character of Rural Market

1. Large and Scattered market: The rural market of India is large and scattered in the sense that it consists of over 63 crore consumers from 5, 70,000 villages spread throughout the country.
2. Major income from agriculture: Nearly 60 % of the rural income is from agriculture. Hence rural prosperity is tied to agricultural prosperity.

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3. Traditional Outlook: The rural consumer values old customs and tradition. They do not prefer changes. • Diverse socioeconomic backwardness: Rural consumers have diverse socioeconomic backwardness. This is different in • different parts of the country.

4. On account of green revolution, the rural area are consuming a large quantity of industrial and urban Manufactured products. Thus a special marketing strategy emerged known as rural marketing. Rural marketing involves delivering manufactured and processed inputs or services to rural producers or consumers.

Characteristics of Rural Consumers

1. People in rural areas have poor job opportunities than urban.
2. The rural consumer is very conscious about getting value for money.
3. He understands symbols and colors better, and looks for endorsement by local leaders or icons.
4. He doesn't like to pay extra for frills he cannot use.
5. He has a very high involvement in any product purchased especially when he decides to buy high-end products, which cost a few hundreds or thousands of rupees.
6. The rural market of India is a geographically scattered market.
7. Rural consumers continue to be marked by low purchasing power.
8. The rural consumers are marked by a conservative and tradition-bound lifestyle.
9. Rural consumers buy small packs, as they are perceived as value for money.
10. There is brand stickiness, where a consumer buys a brand out of habit and not really by choice.
11. The rural consumers of India are a tradition bound community; religion, culture and even superstition strongly influence their consumption habits.

Review of Literature

According to NCAER, a rural Market is any market that exists in the rural area with a population less than 10,000, where the real density of population at any population nucleation is low without any significant infrastructure. (NCAER.). According to Census of India 2001, out of total population of 102.7 crores, 74.2 crore are in rural areas (Census of India 2001). That makes it 72.2 percent of the country's population. Also, in absolute terms, the rural population is increasing at a higher rate than the urban population. The significance of these figures is that even a small percentage increase in overall income would lead to the addition of a large number of Customers bringing in much needed volumes (Ramakrishnan 2006). (Sharma and Katewa (2005) discussed in his study that the rural market in India is made up of two broad compartments. One, which deals in consumer products produced by industries and the second, which deals in farm produce. Srinivas (2007) stated that the India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

Research Methodology

Research is a process of systematically obtaining accurate answers to significant and pertinent questions by the use of scientific method of gathering and interpreting information. This study is an exploratory in nature; it states the role of rural market in Indian economy. Similarly, this paper includes the determination of various challenges faced by the rural market and various future opportunities on the way of its growth and development.

Objectives of the Study

1. To understand the rural consumer
2. To know the rural market strategies in India
3. To know the distribution channels of Rural
4. Market – India to evaluate the key decision areas in rural marketing
5. To study the problems of rural marketing
6. To study about the rural marketing environment.
7. To know the issues and challenges of rural marketing

ISSUES & CHALLENGES IN RURAL MARKETING

India is ingenious with a good degree of ethnic, cultural and regional diversity. About 3/4th of the total population resides in the rural areas and majority of them are dependent upon agriculture for their subsistence. Agriculture contributes about 24.7% to the Gross Domestic Product (GDP) of the country. It also contributes about 13.1% to the total Indian exports. This sector provides employment to 58.4% of the country's workforce and livelihood to more than 650 million people. Despite this fact, the condition of these people has not shown any significant improvement. The development of the nation largely depends upon the development of the rural population.

Issues of Rural Marketing

There are many problems to be tackled in rural marketing, despite rapid strides in the development of the rural sector. Some of the common problems are discussed below:

1. Transportation Transportation is an important aspect in the process of movement of products from urban production centers to remote villages. The transportation infrastructure is extremely poor in rural India. Due to this reason, most of the villages are not accessible to the marketing man. In our country, there are six lakhs villages. Nearly 50 per cent of them are not connected by road at all. Many parts in rural India have only kachcha roads. During the monsoons, even these roads become unserviceable. Regarding rail transport, though India has the second largest railway system in the world, many parts of rural India however, remain outside the rail network.

2. Communication Marketing communication in rural markets suffers from a variety of constraints. The literacy rate among the rural consumers is very low. Print media, therefore, have limited scope in the rural context. Apart from low levels of literacy, the tradition-bound nature of rural people, their cultural barriers and their overall economic backwardness add to the difficulties of the communication task. Post, telegraph, and telephones are the main components of the communication infrastructure. These facilities are extremely inadequate in

the rural parts of our country. In rural areas, the literacy percentage is still low, compared to urban areas. In India, there are 18 recognized languages

3. Warehousing A storage function is necessary because production and consumption cycles rarely match. Many agricultural commodities are produced seasonally, whereas demand for them is continuous. The storage function overcomes discrepancies in desired quantities and timing. In warehousing too, there are special problems in the rural context.

4. Rural Markets and Sales Management Rural marketing involves a greater amount of personal selling effort compared to urban marketing. The rural salesman must also be able to guide the rural customers in the choice of the products. It has been observed that rural salesmen do not.

5. Availability of Appropriate Media It has been estimated that all organized media in the country put together can reach only 30 per cent of the rural population of India. The print media covers only 18 per cent of the rural population. The radio network, in theory, covers 90 per cent. But, actual listenership is much less. TV is popular, and is an ideal medium for communicating with the rural masses

6. Village Structure in India In our country, the village structure itself causes many problems. Most of the villages are small and scattered. It is estimated that 60 per cent of the villages are in the population group of below 1,000. The scattered nature of the villages increases distribution costs, and their small size affects economic viability of establishing distribution points.

7. Market Segmentation in Rural Markets Market segmentation is the process of dividing the total market into a number of sub-markets. The heterogeneous market is broken up into a number of relatively homogeneous units. Market segmentation is as important in rural marketing as it is in urban marketing. Most firms assume that rural markets are homogeneous. It is unwise on the part of these firms to assume that the rural market can be served with the same product, price and promotion combination.

8. Branding:- The brand is the surest means of conveying quality to rural consumers. Day by day, though national brands are getting popular, local brands are also playing a significant role in rural areas. This may be due to illiteracy, ignorance and low purchasing power of rural consumers. It has been observed that there is greater dissatisfaction among the rural consumers with regard to selling of low quality duplicate brands, particularly soaps, creams, clothes, etc.

9. Packaging :-As far as packaging is concerned, as a general rule, smaller packages are more popular in the rural areas. At present, all essential products are not available in villages in smaller packaging. The lower income group consumers are not able to purchase large and medium size packaged goods. It is also found that the labeling on the package is not in the local language. This is a major constraint to rural consumers understanding the product characteristics.

Challenges of Rural Marketing

* Although rural markets offer immense potential, marketers need to recognize the fact that there are considerable differences in many respects, including the nature, characteristics buying patterns, and behavior of rural consumers, when compared with their urban counterparts.

* While the urban economy thrives mainly on secondary and tertiary activities such as manufacturing and services, the rural economy is driven mainly by primary activities such as agriculture, fishing, and forestry.

* The consumer demand and consumption patterns also differ across rural and urban areas. In India, for example, electricity reaches only 57.6% of the rural population and, therefore, the market household and other electrical equipment such as televisions and fans is also restricted.

* Similarly, there are also differences in rural literacy and education levels; in India the rural and urban literacy levels are 58.7% and 79.9% respectively.

* Pattern of income levels in rural markets is yet another differentiating factor that affects the buying power and consumption behavior of rural consumers. About 80% of the rural households in India, for instance, have a monthly income of less than Rs. 3000.

* In addition, the dispersed nature of the population, the inadequacy of physical infrastructure like roads, the weak banking system, limited availability of credit facilities, and problems of storage infrastructure are additional challenges for marketers. These challenges need innovative solutions.

Strategies of the Rural Marketing

Marketers need to understand the psyche of the rural consumers and then act accordingly. Rural marketing involves more intensive personal selling efforts compared to urban marketing. Firms should refrain from designing goods for the urban markets and subsequently pushing them in the rural areas. To effectively tap the rural market, a brand must associate it with the same things the rural folks do. This can be done by utilizing the various rural folk media to reach them in their own language and in large numbers so that the brand can be associated with the myriad rituals, celebrations, festivals, "melas", and other activities where they assemble.

A. Product strategies

Meaningful product strategies for rural market and rural consumers are discussed here.

1. Small unit and low priced packing: Larger pack sizes are out of reach for rural consumers because of their higher price and usage habits. This method has been tested by other products like shampoos, biscuits, pickles, Vicks five gram tins, etc. the objective of giving small packaging's is to keep the price low so that the entire rural community can try. This may not be possible in all types of products except some products such as shampoo, soaps and other cosmetics etc.

2. Designing new innovative and attractive products: A close observation of rural household items indicates the importance of redesigning or modifying the products. The manufacturing and marketing men can think in terms of new product designs specially meant for rural areas keeping their lifestyles in view. The new products should be designed in such a way that it should suit the lifestyle, needs and anxiety of the rural consumer.

3. Designing strong and sturdy products: Sturdiness of a product either in terms of weight or appearance is an important fact for rural consumers. Generally a rural consumer handles every product roughly. Thus the product meant for rural areas should be sturdy enough to stand rough handling and storage. People in rural areas like bright flashy colors such as red, blue, green etc.,

and feel that products with such colors are sturdy but they are more concerned with the utility of the item also.

4. Creating a good brand name:- The rural consumers are more concerned with the brand name of the product than its utility. The brand name awareness in the rural areas is fairly high. A brand name and logo are very essential for rural consumers for it can be easily remembered and identified. Because rural consumers often used to stick towards a particular product by considering its brand name.

B. Pricing strategies :- Pricing strategies are very much linked to product strategies. Some of these strategies are mentioned here.

1. Low cost/cheap products: This is a common strategy being adopted widely by many manufacturing and marketing men. Rural consumers won't like to have high-priced commodities due to their low income. So Price can be kept low by small unit packing resulting in higher sales.

2. Avoid sophisticated packing: Simple package can be adopted which can bring down the cost as it is presently being done in the case of biscuits. Some innovation in packing technology is very necessary for rural markets. Sophisticated packing can be avoided as it bears extra cost which may losses the number of consumers due to high price.

3. Refill packs/reusable packaging: The packaging material used should preferably lend itself for reuse in rural areas. An ideal example in this direction can be the packing of fertilizers. Now companies have started packing fertilizers in LDPE or HDPE sacks, which are not only tamper proof but also reusable. But it would be applicable only in case certain products.

4. Application of value engineering:

This is a technique which can be tried to evolve cheaper products by substituting the costly raw material with the cheaper one, without sacrificing the quality or functional efficiency of the product, for example in food industry, 'Soya protein is being used instead of milk protein. Milk protein is expensive while Soya protein is cheaper but the nutrition value is same. This technique yields itself for application in many engineering or product designed areas so that the price can be kept at an affordable level. These areas have to be explored by manufacturing and marketing the pricing strategy for rural market will depend upon the scope for reducing the price of the product to suit the rural incomes and at the same time not compromising with the utility and sturdiness of the product.

c. Distribution strategies

Rural India is widely populated and so it is obvious that the distribution costs are high. Here, one needs to deploy innovative approaches in order to bring down the costs.

Most manufacturers and marketing men do have a distribution arrangement for village with a population of at least 5000 people. While it is essential to formulate specific strategies for distribution in rural areas, the characteristics of the product, its shelf life and other factors have to be kept in mind. The distribution strategies that are specifically designed for rural areas are through co-operative societies, public distribution system, multi-purpose distribution centers, etc. some other distribution strategies that can be adopted in rural marketing were:

1. Using Delivery vans to deliver products to nook and corner of villages.

2. Localized way of distributions such as melas, street outlets etc: To succeed in Indian rural market the producers or marketers have to reach the nook and the corner of the country. They have to reach the "local Paan wala, Local Baniya" only then they can succeed. MNC shoe giants, Adidas, Reebok, and Nike started with exclusive stores but soon they realized that they do not enjoy much Brand Equity in India, and to capture the market share in India they later preferred Local market shoe sellers.

3. Conduction of special sales programmes through temporary street stalls or showrooms in rural areas: This is one of the strategies widely adopted by automobile marketers. This strategy is suitable for high end products.

4. Direct distributions by opening outlets in villages avoiding intermediaries that will also reduce price

5. By offering certain discounts, the local rural distributors can be made to brainwash the consumers about the new product as rural consumers believes the word of the familiar person in purchasing a product. Thus risk involved in sales and distribution of the new product can be somewhat reduced.

D. Promotion strategies

Mass media is a powerful medium of communication. It could be television, cinema, print media, and radio and so on. The other means of mass media available are hoardings/wall paintings, shanties/hats/melas, non-price competition, special campaigns etc. Besides these, other mass media like hand bills and booklets, posters, stickers, banners of the schemes etc.

Following are some of the promotion strategies that can be applied in order to promote a new product in the rural market:

1: advertising with local ambassadors is a right choice and also advertisements can be made colorfully as rural people like that.

2: providing the new product as a free product along with some other products that were already going in the market. So that, the consumers will be aware of the new product.

3: making a tie up with the ongoing market retailers in order to enhance proper distribution and to expand the business in the initial promotion stage. After gaining some goodwill and market, the producer can either continue with the ongoing retail distribution or it can open its own retail shops.

4: In the promotional stage, the goods and services can be given at low prices that would attract the rural consumers as they often prefer low-priced commodities with higher utility.

Conclusion:-

In concluding remark, if the company wants to capture the rural market, they must first carry on the detailed and earnest analysis of the countryside goal market, aiming at particular characteristics of the rural market, and utilizing different marketing strategy according to concrete situations.

This has far-reaching implications for marketers. On the one hand, in rural areas the demand for production and consumption of goods such as farm equipment and machinery, seeds, fertilizers, pesticides, banking services, and products for personal and family use has increased substantially. On the other hand, the increased output of the rural economy, namely food grains, fruits, and vegetables, milk, poultry products, handloom and handicraft products

need to be marketed to the processing and consumption centers, which are usually in urban areas. As a result, rural marketing that consists of marketing of products to and from rural areas is a vital activity in South Asia.

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