
Rural Marketing: Challenges and Opportunities for Indian Marketer

*Sangeeta Dodrajka**

Abstract

'Go rural' is the slogan of marketing gurus after analyzing the socio-economic changes in villages. The Rural population is nearly three times that of urban, so that rural consumers have become the prime target market for consumer durable and non-durable products. The present paper seeks to analyse the problems and challenges as well as opportunities offered by the Indian rural markets. It also suggests the strategies to improve market penetration. The study provides insights into Shakti and e-choupal women empowerment programmes launched by FMCG sector corporations.

Key Words: *Rural, marketing, customer, strategy.*

1.1 Introduction

With more than 700 million people living in rural areas, in some 5,80,000 villages, about two—third of its workforce was engaged in agriculture and allied activities with a contribution of 29 percent of India's Gross Domestic Product (GDP), India's economy is predominantly rural in character. The size and potential market of the rural sector could be measured in terms of the rural population, the population of livestock, the extent of land, forest and other natural resources. According to the population census of 1991, India's rural population was 62.87 crores, which accounted for 74.3 percent of the country's total population.

According to the National Council of Applied Economic Research (NCAER), rural households form 71.7% of the total households in the country. Spending in this segment is growing rapidly and consumption patterns are closing in on those of urban India. Jagmohan Singh Raju, a professor of marketing at Wharton, says: "No consumer goods company today

can afford to forget that the rural market is a very big part of the Indian consumer market. You can't build a presence for a brand in India unless you have a strategy for reaching the villages." Several European multinational firms — and a few U.S. firms — have been making inroads into rural India for years.

Rural Marketing broadly involves reaching the rural customer, understanding their needs and wants, supply of goods and services to meet their

****Sangeeta Dodrajka***

Associate Professor in the Department of Commerce, S.G.G.S. College of Commerce, University of Delhi

B-206, Lok Vihar, Pitam Pura, Delhi-110034.

Ph: 9811616232 (mb) 011-47071059 (Res)

email: sangeetadelhi@hotmail.com

requirements, carrying out after sales service that leads to customer satisfaction and repeat purchase/sales. Earlier, the general impression was that the rural markets have potential only for agricultural inputs like seed, fertilizers, pesticides, cattle feed and agricultural machinery. There is a growing market for consumer goods as well.

Increase in competition and saturated urban markets, made the companies to think about new potential markets. Thus, Indian rural markets have caught the attention of many companies, advertisers and multinational companies. The penetration of consumer durables has risen sharply in India's villages between 2000 and 2005. Sales are up 200% in color TVs, 77% in motorcycles. In absolute numbers, however, the penetration is still low.

Companies like Hindustan Lever, Colgate Palmolive, Britannia and even Multinational Companies (MNCs) like Pepsi, Coca Cola, L.G., Philips, Cavin Kare are all eyeing rural markets to capture the large Indian market.

1.2 Concept of Rural Marketing

Rural marketing involves the process of developing, pricing, promoting, distributing rural specific product and a service leading to exchange between rural and urban market which satisfies consumer demand and also achieves organizational objectives.

Rural marketing is an evolving concept, and as a part of any economy has untapped potential; marketers have realized the opportunity recently. Improvement in infrastructure and reach, promise a bright future for those intending to go rural. Rural consumers are keen on branded goods nowadays, so the market size for products and services seems to have increased manifold. The rural population has shown a trend of seeking to move into a state of gradual urbanization in terms of exposure, habits, lifestyles and lastly, consumption patterns of goods and services. For example: According to CIRCA 1998; survey report. The rural nail polish market was pegged at Rs. 270 million against Rs. 81 million in the cities. The rural market for lipstick was around Rs. 250 million, compared to 426 tonnes in the cities, while shampoos had a potential of 2257 tonnes in the villages compared to 718 tonnes in the cities.

1.3 Rural Marketing Environment

The Rural Consumer: In numerical terms, India's rural market is indeed a large one, consisting of more than 740 million consumers; with more than 12 crore households. Unlike urban markets, rural markets are difficult to predict and possess special characteristics. The population is predominantly illiterate, have low income, characterized by irregular income, lack of monthly income and flow of income fluctuating with the monsoon winds. Moreover, the market is widely dispersed. They have low per capita income which is related to agricultural prosperity.

Literacy Level: Rural India has a literacy rate of 28% as compared to 55% for the whole country. However, literacy programmes are bound to increase the literacy levels in the near future.

Life Style: The life in rural India is marked by traditions and conservative customs. Girls do not have access to higher education. The facilities of higher education are mostly out of reach of a normal average Indian villager. The dependence on agriculture restricts their opportunities for alternative sources of livelihood.

Lack of Infrastructure: Most part of rural India suffers from shortage of electricity supply. Either it is supplied for few hours a day or the voltage is too low. The transport, banking and telecommunication services badly lag behind as compared to urban India. The infrastructure facilities, ware houses, communication system, and financial facilities are inadequate in rural areas.

Transportation and warehousing: Transportation is one of the biggest challenges in rural markets. As far as road transportation is concerned, about 50% of Indian villages are connected by roads. However, the rest of the rural markets do not even have a proper road linkage which makes physical distribution a tough task.

Seasonal Demand: Mostly, the income is generated by agriculture, thus demand for many luxury products is seasonal in nature.

1.4 Opportunities for a Marketer

Rise in Literacy Levels: With various adult literacy and other programmes for rural development implemented by central government, the literacy rate has gone up in recent years.

Increasing Income Levels: With technological revolution, apart from agriculture, other means of livelihood have been made available to farmers, such as horticulture, fish farming, poultry farming, animal husbandry, food processing, etc. As a result, there has been a sharp rise in incomes in some of the more prosperous areas of Punjab, Haryana, Uttar Pradesh, Maharashtra, and Madhya Pradesh.

Change in the Composition of Rural Demand: It has grown tremendously during last decade. Not only the market, has grown in quantitative terms but qualitatively also it has seen significant change.

Large Untapped Market: Spending in this segment is growing rapidly while consumption patterns are closing in those of urban India. A large number of households are increasingly using FMCG products now along with consumer durables.

Rural Development due to Technology Revolution: Technological revolution has resulted in rise per hectare yield in agriculture. Along with this introduction of cash crops have increased the purchasing power of the rural farmers. Increasing awareness towards higher education and vocational training has made rural youth more ambitious resulting into market oriented consumption pattern.

Penetration of Various Media Channels: Increasing spread of satellite channels has penetrated Indian village households with various forms of advertising. Where print media fails as a successful medium of information transmission, audio-visual media becomes much more powerful. With telecommunication revolution, cable television and mobile phones have almost become a necessity even in smaller towns and villages.

Exposure to Urban Life Styles: The exposure to urban lifestyle has increased due to satellite television making inroads in the rural households. In many products, the rural market accounts for a larger share in total sales, e.g. for washing soaps, it is over 60% in

rural sector. One of the factors of such exposure could be increasing interaction with urban communities and feeder towns surrounding these villages.

The success of a brand in the Indian rural market is as unpredictable. It has always been difficult to gauge the rural market. Many brands, which should have been successful, have failed miserably. More often than not, people attribute rural market success to luck. Therefore, marketers need to understand the social dynamics and attitude variations within each village. Looking at the challenges and the opportunities in rural markets, 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.

1.5 Problems and Critical Factors

There are a number of problems faced by Indian marketers in rural market, including physical distribution, logistics, and deployment of sales force across huge geographical area, transportation and warehousing, and marketing communication as well as spurious products.

Rural markets face the critical issues of distribution, understanding the rural consumer, communication and poor infrastructure. The marketer has to strengthen the distribution and pricing strategies. The rural consumer expects value for money and has unsteady and meager status of weekly income; increasing the household income and improving distribution are the viable strategies that have to be adapted to tap the immense potential of the market.

A major problem faced by the marketers is duplicate products or similar brand names with inferior quality are a plenty in the market. The transportation and warehousing in far-flung areas is another bottleneck that needs to be taken care of. The marketing communication has to be in the local regional language in order to be more effective. The diverse cultures and nearly 300 languages spoken across India make it herculean task to advertise the product, its features, price, and value addition. The rural customer is extremely value-conscious.

The media and telecommunication revolution has also touched the lives of villagers in India. The

burgeoned in recent years due to lower tariffs for the same. The satellite television and FM radios are great help in marketing communication. Despite all the above mentioned problems, the rural market offers a plethora of opportunities for the marketers.

According to NCAER, the low penetration rates can be attributed to three major factors: low income levels, inadequate infrastructure facilities and different lifestyles. But income levels are going up, infrastructure is improving and lifestyles are changing.

1.6 Strategies for Rural Marketing

Certain adaptations are required to cater to the rural masses; they have unique expectation and warrant changes in all four parameters of product, price, promotion and distribution. The method of promotion needs to be tailored to suit the expectations of the market. Techniques that have proved to be successful include: Van campaigns, edutainment films, generating word of mouth publicity, colourful paintings. The Wide reach of television has exposed the conservative audience to westernized lifestyle. Panchayat televisions carry messages that are well received and contribute to community development. Rural markets and rural marketing involve a number of strategies, which include: Client and location specific promotion, joint or cooperative promotion, bundling of inputs and partnership for sustainability. Client and location specific promotion involves a strategy designed to be suitable to the location and the client. Joint or 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, and so on.

- Regarding the problems of physical distribution, the marketer may have a joint network of stockiest/ clearing-cum-forwarding (C&F) agents at strategic location for facilitation of physical distribution for its products in the rural market. The main advantage of this scheme is that the costs of physical distribution can be shared by the companies and stockiest.

- The rural market is composed of a number of retail sales outlets along with fair price shops under the public distribution system. It is suggested that the government should encourage private shopkeepers and cooperative stores to come forward and establish their business in rural areas instead of the weekly market known as weekly bazaar. Fertilizer companies have opened their outlets for proper distribution of fertilizer among the farmers.

- For the rural markets, only those people should be selected for sales who are willing to work in rural areas. They must be aware of the local language and must have the patience to deal with rural customers and can discharge the duties of a bare-footed salesman.

The companies may also use audiovisual publicity vans, which may sell the products with promotion campaign. To attract the rural consumers, companies can organize village fairs, dance and drama shows, group meetings to convince the rural consumers about the products and services.

Some of the FMCG companies have adopted unique strategies, like educating women entrepreneurs in selling and promoting their products.

1.6.1 Empowering Women Consumers

FMCG and consumer durables companies have in the past tried tinkering with all the four 'P's — product, pricing, promotion and place— of the marketing mix. The area where innovation has moved to center stage is in the fourth P — place (or distribution). Infrastructure has always been the bugbear of the Indian marketer. Distribution channels can make or break a company's rural marketing efforts. To sell in villages, products must be priced low, profit margins must be kept to the minimum and the marketing message must be kept straight forward. The Hindustan Lever's Project Shakti (its name means "strength") was born out of this realization. "The objectives of Project Shakti are to create income-generating capabilities for underprivileged rural women by providing a small-scale enterprise opportunity,

and to improve rural living standards with greater awareness of health and hygiene," says Dalip Sehgal, executive director of the Shakti initiative.

The key objectives of the project Shakti are to:

- Alleviate poverty and aid development in rural India by generating income for self-help groups, and by providing education, information and job opportunities for local people
- Provide access to services, information and advice on social, economic and recreational needs which would otherwise be unavailable in rural India
- Raise awareness of health and hygiene
- Provide the infrastructure to share knowledge and experience between otherwise isolated communities
- Provide access to personalised advice through one-to-one communication with experts in domains including health, law and agriculture
- Create a highly personalised user experience; through innovative user-profiling
- Improve understanding of consumers in rural India

The lives of thousands of women have changed because of Shakti project. A typical Shakti distributor sells products worth Rs 10,000-15,000 (around \$250) a month, which provides an income of Rs 700-1,000 (around \$25) a month on a sustainable basis. While this may not seem to be a high income, it makes an enormous difference to women who live in remote villages in dire poverty. In many cases, earnings from Shakti help them double their household income. Much of the additional income goes to educating children, and also to purchasing consumer durables such as television sets, which further expands the rural market for such products.

The Shakti model was initiated in 50 villages of the Nalgonda district in Andhra Pradesh. It has now

spread to more than a dozen states, creating 26,000 women distributors covering 80,000 villages. With this strategy, HLL has been able to tap a large rural market, which now accounts for 15% of its total revenue. Supported by micro-credit by ICICI Bank, HLL has been successful in penetrating the rural market by creating direct-to-home distributors, which not only distribute but also communicate and educate the customers regularly.

1.6.2 E-Choupal Initiative by ITC

In 2000, ITC embarked on an initiative to deploy technology to facilitate the procurement of soybeans from rural India. Kiosks — called eChoupals — consisting of a personal computer with Internet access were set up at the villages." It helped soybean farmers to access this kiosk for information on prices, but they had the choice to sell their produce either at the local market or directly to ITC at their hub locations. A hub location services a cluster of eChoupals. By purchasing directly from the farmer, ITC significantly improved the efficiency of the channel and created value for both the farmer and itself. Launched in June 2000, 'e-Choupal', has already become the largest initiative among all Internet-based interventions in rural India. 'e-Choupal' services today reach out to over 4 million farmers growing a wide range of crops.

Real-time information and customised knowledge provided by 'e-Choupal' enhance the ability of farmers to take decisions and align their farm output with market demand and secure quality and productivity. The aggregation of the demand for farm inputs from individual farmers gives them access to high quality inputs from established and reputed manufacturers at fair prices. As a direct marketing channel, virtually linked to the 'mandi' system for price discovery, 'e-Choupal' eliminates wasteful intermediation and multiple handling. Thereby it significantly reduces transaction costs. 'e-Choupal' ensures world-class quality in delivering all these goods & services through several product / service specific partnerships with the leaders in the respective fields, in addition to ITC's own expertise.

While the farmers benefit through enhanced farm productivity and higher farm gate prices, ITC benefits from the lower net cost of procurement (despite offering better prices to the farmer) having

eliminated costs in the supply chain that do not add value.

As India's 'kissan' Company, ITC has taken care to involve farmers in the designing and management of the entire 'e-Choupal' initiative. The active participation of 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.

This enthusiastic response from farmers has encouraged ITC to plan for the extension of the 'e-Choupal' initiative to altogether 15 states across India over the next few years. On the anvil are plans to channelise other services related to micro-credit, health and education through the same 'e-Choupal' infrastructure.

Impressed with the popularity and results of these projects, similar projects have been launched by these large FMCG corporations in other developing countries like Sri Lanka, Bangladesh and Vietnam.

1.7 Conclusion

The rural market in India is quite fascinating and challenging in spite of all the difficulties existing. The potential is enormous. Even though, these markets have weaknesses, they also have tremendous opportunities which should be availed by the marketers. The marketers have to come up with innovative ideas through which the villagers also get involved in getting business from their respective villages. The rural market is zooming ahead at around 25 per cent annually. "The rural market is growing faster than urban India now," says Venugopal Dhoot, chairman of the 989 crores (Rs. billion) Videocon Appliances. "The urban market is a replacement and up gradation market today," adds Samsung's director, marketing, Ravinder Zutshi.

However, there are certain dangers of relying too much on this segment as too much dependence should not be encouraged. In order to capture rural market, some of the companies are reducing their prices by slashing attributes and features of their branded products or by launching cheaper lower quality products aimed at these markets. It may hamper the image or goodwill created for the brands in question. Secondly, the rural sector is

not that organized and it needs to be analysed and due to the unpredictability, it becomes difficult to estimate the future demand trends for a brand.

The agricultural income is highly dependent on monsoon in India, which itself is quite unreliable. Though FMCG companies have taken a number of initiatives like **shakti** and **e-choupal** in rural areas, many more such projects are needed for the upliftment and spread of literacy among the rural population. However, despite its challenges, rural market is the center of debate and concern for the modern marketer.

References:

- "Hind Lever to Expand Project Shakti Reach", Business Standard, November 18, 2003.
- "HLL Aims for Rural Market", www.blonnet.com, May 10, 2000.
- "HLL Plans Rural Campaign to Reposition Lifebuoy – To Pitch onHygiene Platform", www.blonnet.com, February 13, 2002.
- "HLL Rewrites Strategy for Greater Penetration of Rural Markets", www.domain-b.com, February 4, 2003.
- "HLL Takes Pepsodent Rural with a Vengeance", www.blonnet.com, October 12, 2002.
- "Rural sales drive growth", Business Standard, April 12, 2004.
- Harish Bijoor; A market in waiting; The Hindu Business Line; Business Daily from THE HINDU group of publications; Thursday, Aug 17, 2006
- Ishita Ayan Dutt and Sambit Saha, "Hind Lever in Plans to Raise Rural Spoils", Business Standard, July 20, 2002.
- Preeti Mehra, "HLL Doing a Grameen Bank – Leverages Microcredit to Tap Rural Market", www.thehindubusinessline.com, May 21, 2001.
- Purvita Chatterjee, "HLL Plans Rural Thrust for Tooth-paste Brands", The Hindu Business Line, February 21, 2002.
- Rustom S. Davar, 1998 *Modern Marketing Management*, University Book Stall, New Delhi.
- Ravindranath V. Badi and Naranyansa V. Badi, 2004, *Rural Marketing*, Himalaya Publishing, New Delhi.
- Shanti Kannan, "Rural Market – A World of Opportunity", The Hindu, October 11, 2001.