

Growing Potentials of Rural Marketing in India: The Changing Paradigms

Harpreet Kaur
H.No.1245, Lane No. II, Street No.4,
West Enclave, Hoshiarpur, Punjab, India-146001

ABSTRACT: The Urban Market of India is reaching the level of saturation. Achieving the aspired growth targets is a hard nut to crack for the marketers. Moreover, the cut-throat competition in this market creates an inability on the part of the firms to maintain and raise their respective market shares. This tempts the businessmen to move to the rural market of India that is showing better growth prospects as India's two-third population lives in rural areas. The demand and the expectations of the rural folks are rising due to the overall economic growth, giving an underexplored opportunity to the business houses to tap the huge potential. But the opportunity that provides hope for the corporate houses is not without challenges. There are a number of differences between the rural and urban factors that influence the demand structure of both the areas. In order to be successful, there is a need to study the dynamics of the rural market before venturing into these areas. This paper intends to assess the marketing potential, the opportunities and driving forces for the marketers in the rural market.

Keywords: *Rural Consumer, Market Saturation, Consumer Behaviour, Rural Marketing, Marketing Opportunities, Market Potential.*

1. INTRODUCTION

The old picture of rural India is changing fast. The growth in the disposable income, increase in literacy rate, government rural development programs, rural infrastructure, enlarged media reach, ever-increasing interaction with urban communities, exposure to urban lifestyle, marketer's efforts to reach out to the rural market, etc. has changed the scene to a large extent. Companies look at it as a golden opportunity to tap this potential market. Vidya Iyer defines 'Rural Marketing' as:

A function that manages all activities involved in assessing, stimulating and converting the purchasing power of rural consumers into an effective demand for specific products & services and moving these products & services to the people in rural areas to create satisfaction and a better standard of living and thereby achieving organizational goals (110).

Size of rural market is estimated to be 42 million households and rural market has been growing at five times the pace of the urban market (Kotni, 203). According to Nielson, by 2025, the rural FMCG sale is estimated to be \$ 100 billion from the current \$ 12 billion (qtd. in Kumar: 2013, 96). With the vast size and huge demand from rural area, the marketers have already started pouring the market with their products including the goods customized to the rural needs. There is a significant increase in the per capita rural GDP since the last

decade. Since 2000, it has grown faster than per capita urban GDP: 6.2 % compound annual growth rate (CAGR) versus 4.7% (Knowledge@Wharton, 1). Between 2009 and 2012, the rural consumption per person grew at 19 % per annum, two percentage points higher than its urban counterpart (CRISIL Research Insight, 1). The rural markets are looking attractive to business firms as the urban markets are not only highly competitive but also becoming saturated and thereby reducing the growth prospects. By 2025, the rural market of India will be larger than the total consumer market in countries such as South Korea or Canada today, and almost four times the size of today's Indian urban market (McKinsey, 79). There is a great enthusiasm among marketers to enter into rural market. But before that, there is an urgent need to study its dynamics. There is a difference between an urban and a rural consumer on various attributes which influence the buying behaviour. The strategies that proved successful in the urban markets may badly fail in the rural ones. Today, many business houses by forming their marketing strategies are foraying into India's rural markets for bigger rewards from these areas. Among those that have made some headway are, Hindustan Lever, ITC, HPCL, Coca-Cola, LG Electronics, Britannia, LIC, HDFC Standard Life, ICICI, Philips, Colgate-Palmolive and most of the Telecom companies.

2. REVIEW OF LITERATURE:

The Consumer market of rural India has grown at a high rate in recent years. It has undergone a

significant change for the better in terms of consumption mix too. Many new products have entered the consumption basket of the rural consumer and the relative shares of the different categories have recorded a welcome change. The upper segments, in particular, have been buying and using a variety of modern products (Ramaswamy, 2010). The rural market is growing at 25 percent whereas urban market is growing only at 7 to 10 percent (Kumar, 2011). Rural India has three times as many people as urban India – 810 million as compared to 280 million in urban India. Therefore, the rural market is larger than the urban market, in many categories (Bijapurkar, 2007). There is a substantial shift of the focus of the marketers from the urban markets to the rural ones. Nearly 70% of the population of India lives in rural areas and rural assets accounts for more than 50% of the tangible wealth of the country providing a big scope to the firms to tap this market (Gupta, 2009).

RESEARCH METHODOLOGY:

The present paper assesses the possibilities and dynamics of the rural markets in India. Secondary data from various sources like journals, books, magazines, Census India, Government reports and

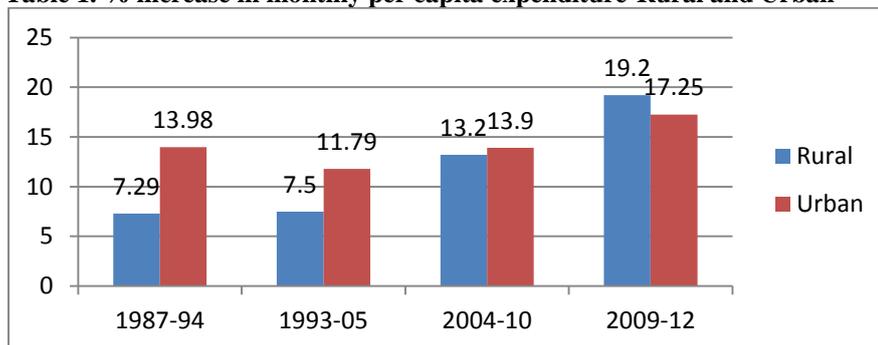
websites have been taken to endorse the points. The objective of the study is to weigh the factors that influence the rural demand of India and the growing potentials of this market. It also assesses the opportunities in the rural market in the changing paradigms.

3. DRIVING FORCES:

There are some motivating forces that persuade the executives to think of fulfilling their profit targets by tapping this opportunity packed market:

3.1 Competition and Saturation in the Urban Market: There is an urgent need to explore the rural markets due to hot competition in an almost saturated urban market. Moreover for the companies manufacturing FMCG (fast moving consumer goods like soaps, detergents, talcum powder, toothpaste, etc.), products where growth ambition is very high, makes it essential for tapping the rural market. Also, this new market with huge potential is largely untapped and the early entrance will mean more profits. Moreover, the rural landscape does not cut a pathetic figure of poverty now days. There is a substantial jump in the per capita expenditure in the past few years.

Table 1. % increase in monthly per capita expenditure-Rural and Urban

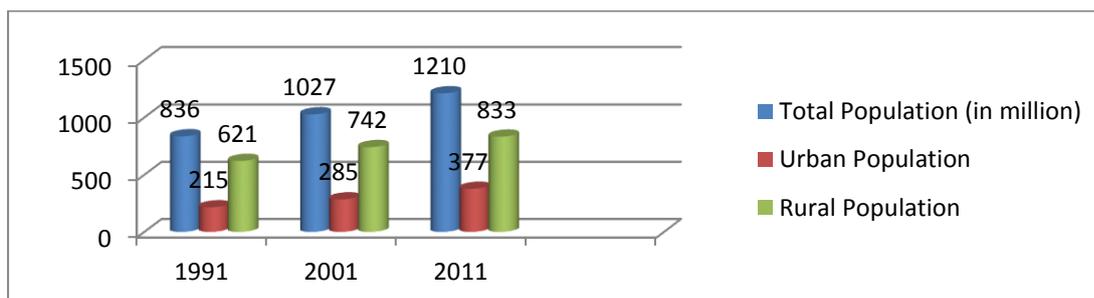


Source: <http://timesofindia.indiatimes.com/business/india-business/Rural-consumption-outpaces-that-in-cities/articleshow/15962293.cms>. 30 August 2012. Web. 11 December, 2015.

The above table illustrates that since the year 2009, the percentage increase in the monthly per capita expenditure of the rural areas has surpassed the urban ones giving a promising future for the business concerns planning to foray into these markets.

3.2 Rural Population: The number of people residing in rural areas of India is very high as compared to the urban population. The following tables illustrates the whole picture:

Table 2. Population in India (in million)



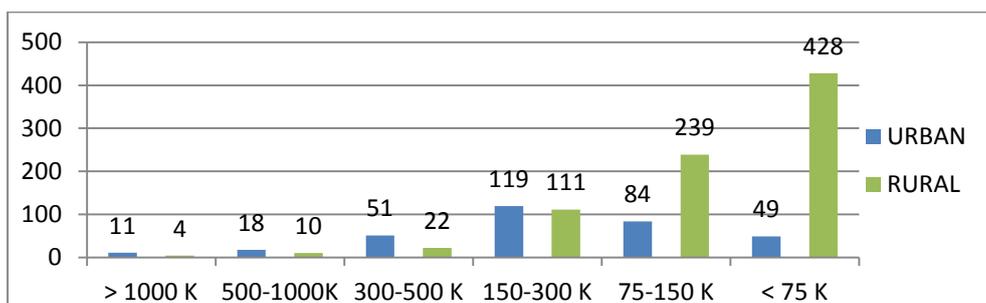
Source: Census of India 2011/2001/1991.

The table shows that as per the census 2011 findings, from the total of 1210 million population of India, the number of people living in rural areas is 833 million which is nearly 70% of the total population. The rural population has grown by 91 million from 2001-2011. Also, the number of villages shows an increase of 2279 from 638588 to 640867 in the same period. A significant part of India's population lives in rural areas. As per the 2011 census, 68.84 per cent of the rural population is scattered in 6, 40,867 villages of India. Though the people living in rural areas due to some reasons are slowly settling in urban areas but even after this increasing urbanisation and migration, 63 % of India's total population will still live in rural areas in 2025 (Mckinsey, 133).

So a huge number of people of India live in the untapped market and its demand for consumable and non-consumable products is continuously increasing which attracts the marketers towards it.

4.3 Income: Green Revolution has considerably increased the income of the rural Indians. Various attractive support price policies regarding the farm products, waiving their loans, providing them subsidies, employment schemes (NREGA), the use of advanced mechanisation, multiple cropping and growing cash crops have helped in adding to the money in the hands of the farmers. Moreover, the White Revolution and the Blue Revolution has also played a major role in increasing the incomes of the people in rural areas. Besides this, initiatives are also taken by big companies to help the rural people in attaining some wealth. One of such initiatives is the "Project Shakti". In this project rural women are made micro-entrepreneurs and are trained as direct-to-home distributors of HUL products. It helps the poor women of the village to earn a living which surely helps in raising their purchasing power (Talwar, 9405). Policies and initiatives like these have definitely enhanced the income level of the rural people.

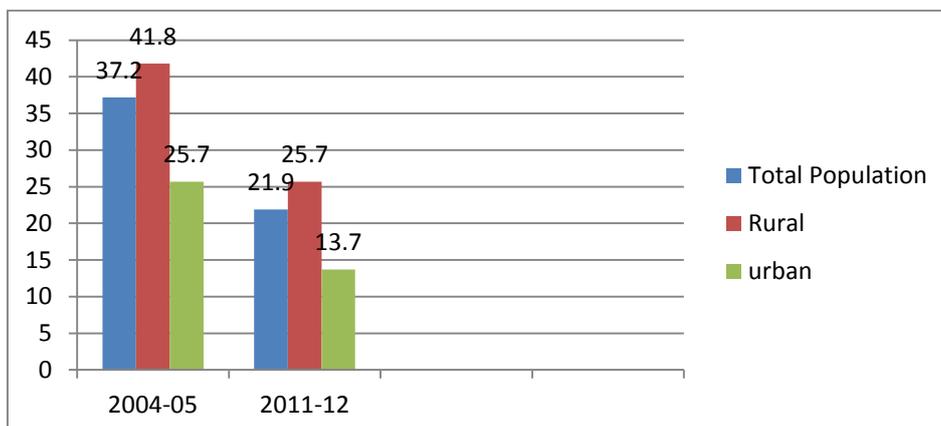
Table 3. Number of persons (in million) according to annual income size (in thousands)- Rural and Urban



Source: Marketing White Book, 2010.

The above table illustrates that there are four million people in rural areas who have annual income more than 10 lacs. The number of middle class earners is 143 million. The people in the 150-300K group are almost same in number in both the areas. A large number of rural earners are in the last two income brackets but it is estimated that average household incomes in rural India will increase by 3.6 per cent a year over the next 20 years and consumption will reach today's average urban household level by 2018 (McKinsey, 15). The growth in income at such a rate will be sufficient to trigger a shifting of significant numbers of households from the deprived to aspirer income bracket (McKinsey, 89). So such a shift from the deprived to aspirer class will surely set fire to the existing demand pattern of these areas. The percentage of rural people living below poverty line is also decreasing day by day:

Table 4: Percentage of Population below poverty line



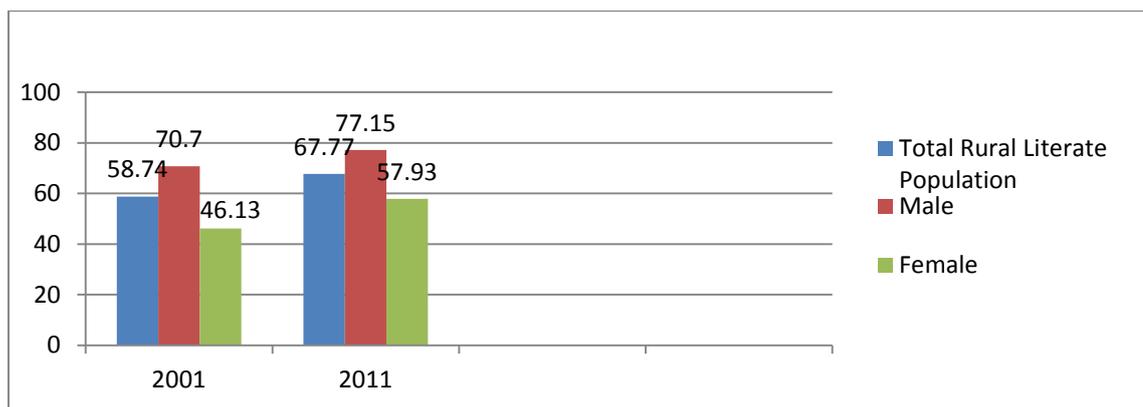
Source: http://www.planningcommission.nic.in/news/pre_pov2307.pdf

The table shows that the number of people below poverty line is decreasing. Since 2004-05, the rate of decrease below poverty line stands at 38.5%.

Government of India is also providing direct Income support to rural households through the Rural Employment Guarantee Scheme which guarantees 100 days of paid employment per year for every rural household. Thus, it offers the great opportunities for the marketers to penetrate into the rural market keeping in mind the income factor.

4.4 Growth in Literacy Rate: The picture of literacy in rural areas is improving in recent years. A hike in literacy rate means increasing awareness, increasing expectations, an urge to change the lifestyle that will be favourable for the improving the demand from these areas.

Table 5. Table showing % of Rural Literates



Source: Census of India 2011.

The table shows that literacy rate is improving fast in case of females. It has risen from 46.13 to 57.93 giving a boost of 11.8 per cent in 10 years. The gender gap in literacy has come down from 24.6 % in 2001 to 19.2 % in 2011 in rural areas. Improvement in female literacy rate proves the change in the conservative nature of the Indian rural society. Moreover a literate woman in a house is more open to change. She has a strong influence on the purchase decisions of the family. So higher the literacy rate, higher will be the scope of profits for the marketers.

4.5 Changing Lifestyle: Lifestyle of rural consumers is changing with time. It is influenced by various factors like income, education, enlarged media, growth in the interactions of the people residing in rural areas with the urban communities and the products of the marketers reaching those areas. Following table shows the rural households with durables owned:

Table 6: Rural Share in stock of consumer goods stock

Rural share in stock of consumer goods Stock	1995-96 (in'000)	Share in percent	2001-02 (in'000)	Share in percent	2009-10 (in'000)	Share in percent
Cars/Jeeps	197	7.4	389	6.9	1876	9.3
Motorcycle	2210	45.8	6710	50.4	34724	55.4
Scooters	2496	25.2	4416	29.8	6125	32.0
Mopeds	2096	37.3	3930	42.2	7333	46.6
Automotive	6999	30.5	15445	35.9	50058	42.5
Television	21411	40.7	40605	47.6	63295	44.9
All Fans	37990	42.4	74673	49.3	157237	49.0
Other White goods	3337	13.5	7766	16.7	16730	16.7
Low cost items	226952	57.9	313892	58.7	521999	58.5

Source: The Great India Market, National Council of Applied Economics Research, 2010.

From the above table it is clear that the rural share in percent regarding the stock of consumer goods is showing a favourable hike since 1995-96.

4.6 Rural Infrastructure: Poor infrastructure in the rural areas was one of the biggest problems for the

marketers to reach the widely dispersed population over more than 6 lakh villages. But the situation is changing with time. Improving rural infrastructure has also pushed the sales of the marketers. It is expected that it will further improve in the coming time. The government spent INR 480 billion on rural infrastructure in the year 2010-2011. The Bharat Nirman Programme has led to a rapid infrastructure development. The Infrastructure covers roads, access across water, and provision of electricity and communications. The infrastructure development attracts the marketers in rural areas. The following table shows the available rural infrastructure (in numbers) under various heads which can prove helpful to the marketers.

Table 7: Rural Markets Infrastructure

Post Offices	138000
Haats(periodic markets)	42,000
Melas(exhibitions)	25,000
Mandis (agri markets)	7,000
Public Distribution Shops	3,80,000
Bank Branches	32,000

Source: NCAER Report, 2011.

Haats are the periodic rural markets.

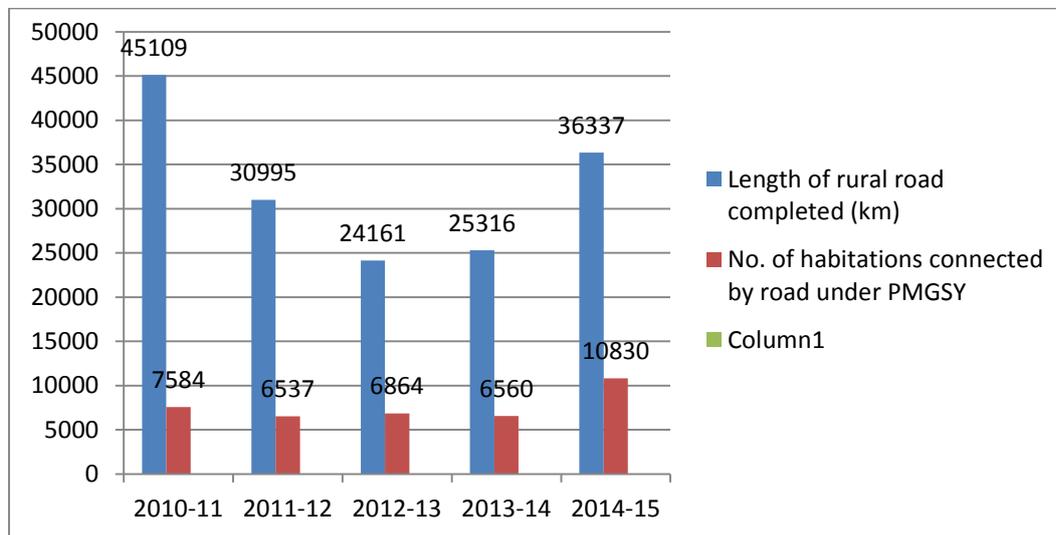
Melas are the village fairs.

Mandis are markets. These are the places where the buyers and sellers meet. It also gives an opportunity to the Companies to carry out consumer research activities like understanding the demand, the tastes and the behaviour of the rural customers and formulating strategies accordingly.

4.6.1 Roads- Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched on 25th December 2000 to provide the rural areas with all weather road connectivity. Under this programme all habitations with a population of 500 persons and above in the plain areas and 250 persons and above in hill States, the tribal and the desert areas are to be connected.

During 2014-15, 36,337 km rural road was completed under PMGSY connecting 10830 habitations.

Table 8 : Number of Habitants connected under PMGSY



Source: Social Development in India Draft Report, 2015.

4.6.2 Electricity- The government has achieved its objective of rural electrification to a large extent with 539163 villages electrified being 84% of the total inhabited villages. This has become possible with the central government organisation Rural Electrification Corporation which has its main objective of financing the rural electrification projects. The time is not far when there will be 100% electrification of the inhabited villages. These factors have increased the demand for electric motors and pump sets and also for other electrically operated agricultural machinery like threshers and winnowers.

Table 9: Electrification of villages

Total Inhabited Villages as per Census 2011	Villages that Received Electricity as on 31/03/2011	Villages without Electricity as on 3/03/2011
6,40,268	5,39,163	1,01,105

Source: Department of Power Annual Report, Government of India, 2011.

4.6.3 Communication- Tele-communications is one of the important infrastructures that support and promoter marketing. There has been a significant change with the opening of the telecom sector, which has witnessed a 26-fold growth in tele-density in the last eight years, as shown in the Table 10. There are 219 million rural users in 2011. Of the next new wireless users in the country, it is estimated that the majority of them will comprise of rural consumers.

Table 10: Rural Tele-density/subscriber base

Parameter	2002	2011
Rural Tele-density	1.2	26.4
Rural Subscriber Base in Millions	-	219
Rural Development	344	1903

Source: Economy Survey 2010-2011 TRAI Report.

Out of the total 26.59 million wire line subscribers as on 31/03/15, 5.12 million (19.26%) belong to rural areas. whereas from the total 969.54 million wireless subscribers, 410.96 million (41.77%) subscribers were from rural areas (Social Development in India Draft Report;2015, 51).

4.6.4 Retail Chains- The marketers who find it difficult to approach the remote rural areas can take the help of readymade channels like DCM *Hariyali Kisan Bazaar*, ITC *Choupal Sagar*, Godrej’s *Aadhaar* chain, M & M Shubh Labh Stores TATA / Rallis Kisan Kendras Escorts Rural Stores Warnabazaar, Maharashtra. These stores usually provide agriculture inputs as well as household goods, banking and insurance services.

4.7 Credit Facilities from Banks: The banks provide short, medium, long-term loans to the people in the rural areas with Co-operative Banks on the top. Credit facilities are also provided by public sector banks through *Kisan Credit Cards* with which the farmers can buy seeds, fertilizers and other consumer goods on instalments. The 43 million *Kisan Credit cards* issued in rural India by 2004-05 exceed the 40 million credit-plus-debit cards issued in urban India (Ramaswamy, 822).

5 CHALLENGES

The rural market though shows a great scope of growth for the marketers but it is not without challenges. Besides the challenge of venturing in the rural market there are other hard nuts to crack like problems in the physical distribution, scattered

and inaccessible areas, different languages, different income levels, values, beliefs, traditions, awareness, literacy ratio, consumption behaviour, etc. The rural demand is scattered and unevenly distributed in more than six lakh inhabited villages posing a big challenge for the marketers to serve this dispersed market. Marketers will have to formulate special distribution and promotional strategies to serve this type of scattered market and they will have to decide the extent of the market to be served based on the cost-profit ratio.

6. CONCLUSION:

From the above discussed factors, it is clear that the Indian rural market is becoming a favourite destination of the marketers who want to achieve volumes. It also shows a ray of hope for those businesses who find it hard to survive in the urban market. But, before venturing into these markets there is an urgent need to thoroughly study the rural dynamics and demographics or the demand influencing factors of the area to be focussed, as whole rural market cannot be taken as a homogenous mass. The paradigms of the rural markets are changing in the 21st century. Corporate Houses must study the needs, culture, behaviour, etc. of the rural people and formulate various innovative strategies to explore the opportunistic and promising market. The success is highly dependent on the long term vision, creativity, innovative strategies and rapid action for early entry means more profits.

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