



Rural Marketing: A Conceptual Framework

KEYWORDS

Dr. Seema Rathee

Assistant Professor, Department of Commerce,
M.D.University, Rohtak

Jitender Kumar

Ex-Serviceman, Indian Air Force

Introduction

In recent years, rural markets have acquired significance as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. On account of green revolution, the rural areas are consuming a large quantity of industrial and urban manufactured goods. In this context, a special marketing strategy namely, rural marketing has emerged.

The rural market has been growing at 12-13% compared to 7-8% growth of its urban counterpart, over the last decade. The need for bigger market share has compelled the business to focus on rural market. The highly saturated urban market limits growth in the market share. Moreover, there is a risk of losing the existing share.¹

Growth of rural income, growing population, improving infrastructure and favorable government policies offers huge potential for rural markets which one can't afford to ignore. India is now seeing a dramatic shift towards prosperity in rural households. The lowest income class will shrink from more than 60% in 1994-95 to 20% in 2006-07. The higher income class will be more than double.

Table 1.1 Rising Rural Prosperity

Income Groups (Rs.)	% of rural households		
	1994-95	2001-02*	2006-07*
106000	1.6	3.8	5.6
77001-106000	2.7	4.7	5.8
50001-77000	8.3	13.0	22.4
25001-50000	61.4	37.4	20.2

Source : NCAER

*2001-02 and 2006-07 are projected based on 7.2% GDP growth.

Growth in agriculture has resulted in the rapid rise of rural incomes. The increased incomes have caused a spurt in the demand for consumer non durable and durable products. In essence, rural markets have started opening up and are turning out to be attractive to companies marketing consumer products. Broadly, It can be stated that there is a beginning of rural market boom and scores of companies, both domestic and multinational; have caught the idea that rural markets cannot be ignored and instead, they can be served as a priority.

Evolution of the Rural Marketing :

Rural marketing is not a new phenomenon in the marketing environment. It is as old as the civilization. But today it has acquired great significance due to the change in the lifestyle, perception and attitude of the rural people. The following are the phases of rural marketing:

Phase I (Before the 1960s)

Rural marketing referred to marketing of rural products in rural and urban areas and agricultural inputs in rural markets. It was considered synonymous with agricultural marketing. Ag-

ricultural produces like food grains and industrial inputs like cotton, sugarcane etc. were the primary products marketed during this period. The marketing activities of firms supplying agricultural inputs and of artisans in rural areas received secondary attention. The market for durables like tractors, harvesters, threshers, power tillers, pump sets, oil engines, electric motors was a miniscule. The market was totally unorganized. In 1949, Asian paints was the first company to enter rural markets.

Phase II (Mid 1960s – Mid 1990s)

The Green Revolution changed the face of rural India, ushering in scientific farming practices with the advent of agricultural inputs and implements. Poverty-stricken villages turned into cash-rich centers. As a result, the demand for agricultural inputs went up. Better irrigation facilities, soil testing, use of high yield variety seeds, coupled with application of implements like power tillers, tractors, harvesters, threshers etc. changed the rural scenario. During the phase, apart from conventional 'agricultural market', a new area. 'Marketing of agricultural inputs' emerged. This period saw the emergence of companies such as Eicher, Escorts, Mahindra & Mahindra and IFFCO.

Phase III (1990s to the present)

During the first two phases, the marketing of durables and non durables to the rural markets was not considered seriously.

The main reasons for this were :

- Rural markets were not very accessible. The poor infrastructure of widely dispersed villages made them unreachable and high distribution cost in terms of logistics.
- The potential of rural markets was not visible. The existing rural markets for these products were not substantial enough to direct the attention of urban markets.
- Rural marketing represented the emergent distinct activity of attracting and servicing rural markets, to fulfill the needs and wants to persons, household and occupations of rural people.

Definition of Rural Marketing

According to Ramkishan Y : Rural marketing is the process of developing, pricing promoting, distributing rural-specific goods and services, leading to exchange between urban and rural markets, which satisfies consumer demand and also achieves organisational objectives.³

Table 1.2 The Rural Marketing Matrix

Market	Rural	Branded Consumables and Durables (organized)	Farm and non – farm goods and services (Unorganized Sector)
	Urban		

Urban

Rural

Thus, rural marketing is a two-way marketing process that

includes the flow of goods and services from rural to urban areas and the flow of goods and services from urban to rural areas, as well as the flow to goods and services within rural areas.

In nutshell, Rural Marketing can be defined 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 and services and moving these products and services in rural area of living and thereby achieving organizational objectives .

Rural Marketing Framework In India

It may be of relevance to present a broad framework of Indian rural marketing . Coming to the framework of rural marketing, many marketers seem to take it to be agricultural marketing. But it is a wrong view of the subject. In fact, rural marketing means the performance of business activities that direct the flow of goods from urban to rural areas and from rural to urban areas. So, the rural market may broadly be categorized into the following two sub markets.

- a) The markets for agricultural and other investment goods.
- b) The market for consumption goods.

Table 1.3 Estimated Annual Size of Rural Market

FMCG	Rs. 65000 Crore
Durables	Rs. 5000 Crore
Agri- inputs (incl. Tactors)	Rs. 45000 Crore
2/4 wheelers	Rs. 8000 Crore
Total	Rs. 1,23,000 Crore

Source : Francis Kanoi 2002.

The Market for Consumer Goods

The per Capita consumption expenditure is generally low in rural areas, (486 per month) Yet the data, when compared with urban market(Rs. 855 per month) expenditure, is very high in rural areas due to the larger size of the market. An analysis of NSS shows that of the total expenditure on manufactured consumers goods, 75 percent is spent in rural India. And notably, the percentage has remained unchanged since 1960-61. In this segment, the market is approximately three times larger. On the assumption that all persons for families above the poverty line form the market for some branded consumer goods, this market has over 50 million households.

The Market for Agricultural Inputs

In line with the increase in demand for manufactured consumer goods, there is also a complementing demand for agricultural inputs in rural areas. This can be seen from the compound rate of growth in the offtake of agricultural inputs and equipment, fertilizers 12 percent, pesticides 15 percent, area under high yielding varieties 15 percent, tractors 18 percent and pumps and tube wells 18 percent.⁴

The market scenario in India presented a unique phenomenon, where there are two extreme markets, urban and rural, quite contrasting in nature and characteristics. The rural market of India consists of about 75 percent of the population. In terms of the number of people, the Indian rural market is almost twice as large as the entire market of USA. The Indian market is not only large but also very much scattered. It exhibits linguistic, regional and cultural diversities and economic disparities.⁵

Characteristics of Haryana's Rural Market

The rural market of Haryana consists of about seventy one percent of the population of the state spread over nearly 6955 villages, some developed and many underdeveloped. The important characteristics are discussed below:

- 1) **Steadily Growing Market** : The rural market has been undergoing a considerable change over the last three decades. The growth has not only been quantitative, but

also qualitative. This was the result of new employment opportunities and new sources of income made available through rural development programmes which have resulted in green and white revolutions and a revolution in rising expectations of rural masses. The rural markets are by and large less explored, less exploited and largely agriculture oriented.

- 2) **Vast and Dispersed Market** : Haryana's rural market is vast, encompassing 14.9 million consumers. In terms of value, it crosses Rs. 40,000 crores of which Rs. 22000 crores is for non food and Rs. 18000 crores for food item. It is scattered and widespread over 6955 villages, unlike the urban market confined to a handful of metros, cosmopolitan cities and towns.

- 3) **Rising Disposable Income of Rural Customers** : New tax structure, good monsoons, the green revolution and the administration pricing mechanism have raised disposable incomes in rural areas. The rural buyer is full of contradictions and paradoxes, which is baffling to most urban-born marketing people.

It is ironic that rural people spend so lavishly on weddings, ceremonies and festivals amidst deficiency. Today, the rural consumer shops for value. It is this 'income' that the companies are going to tap in the near future.⁷

- 4) **Seasonality of Demand** : The demand for goods and services in rural areas depends heavily on agriculture as it accounts for more than 60 percent of rural income. Agriculture being a seasonal activity, the demand pattern also tends to be seasonal. The demand is typically high during the peak crop harvesting and marketing season. Thus the demand for products including consumer non-durable and durable, is seasonal and, therefore, uneven in a year.

- 6) **Poor Literacy Rate** : Poor literacy rate in rural areas has been a major concern. It is 59.4% (as per census 2001) in rural areas, as compared to 80.3% in urban areas. This education difference has largely hindered the growth progress and development of rural areas.⁹ Due to this reason, many spurious brands are flourishing in the rural market with somewhat similar names and similar packaging like the well- established brands. The only way to fight this menace is by educating the rural folks and highlighting the benefits of established brands.

8. **Poor Media Penetration** : Traditional media is ineffective due to illiteracy and non availability. Only 57% of the total rural households have access to mass media of any kind. Of these, 23% have access to print media and 36% to T.V.¹⁰ But due to non availability of power as well as of T.V. sets, two thirds of rural population, cannot get the benefits of various media. Till today, there is no proper media mix to deliver the message to the illiterate rural consumer.

10. **Skewed Distribution of Outlets**: Not surprising by therefore, 76% of the estimated 3.7 million rural outlets are concentrated in seven states. According to Indian Market Research Bureau (IMRB), 6000 of approximately 0.6 million villages do not have a retail outlet. Even the outlet density is low in rural India compared to urban India. The number of outlets in a village primarily depends upon the level of the economic prosperity, purchasing power of the village, population of the village and the awareness of consumer goods.

Conclusion

In the initial years, the focus was on the easy accessibility of developed urban market. Soon there was a proliferation of brands and intense competition, resulting in the near saturation of urban market. As the competition increased in urban areas and taking into account the increasing demand for FMCG and Consumer durables in rural areas, the marketers expanded their business in rural areas.

REFERENCE

1. Dixit, Kavaldeep, "Rural Marketing : Issues and Strategies", Marketing Mastermind, Vol. 7, Issue 8, 2007, pp 29-31. | 2. Rao, Srinivas G., Rural Marketing in India, New Delhi, Anmol Publication Pvt. Ltd., 2002, p. 3. | 3. Y. Ramkishan, New Perspective in Rural & Agricultural Marketing, Mumabi, Jai Company Publishing House, 2004, p 12. | 4. Rao, Srinivas G., Rural Marketing in India, New Delhi, Anmol Publication Pvt. Ltd., 2002, p. 3. | 5. Ganguly, A.S., The growing Rural Market in India, Chairman, HLL, chairman speech at Annual General Meeting, June 24, 1983. | 6. Y. Ramkishan, New Perspective in Rural & Agricultural Marketing, Mumabi, Jai Company Publishing House, 2004, p. 12. | 7. Dixit, Kavaldeep, "Rural Marketing : Issues and Strategies", Marketing Mastermind, Vol. 7, Issue 8, 2007, pp 29-36. | 8. Singh, Jagaman, "Business Challenges in Rural Areas", Marketing Mastermind, Vol. III, Issue 3, 2008, Pp 23-26. | 9. Bhattacharya, Kaberi, "Rural Marketing in India : Problems, Prospects and Emerging Dimensions", Marketing Mastermind, Vol. VII, Issue 9, 2007, p. 32-43. |