



## Rural Marketing Strategies-Issues & Challenges in a Developing Economy

### KEYWORDS

Rural Market, Economy, Marketing Services

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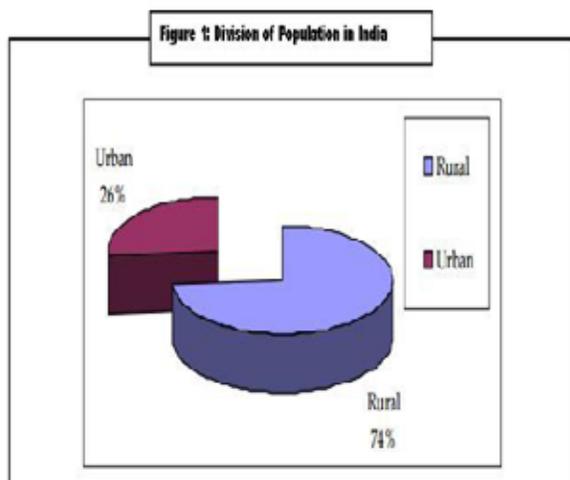
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**ABSTRACT** Rural Marketing is a developing concept, and as a part of any economy has untapped potential and marketers have realized the opportunity. Improvement in infrastructure and reach promise a bright future for those intending to go rural. Any macro-level strategy for these markets should focus on availability, accessibility and affordability. Focused attention needs to be paid to market research that goes on to reduce the uncertainty in dealing with these markets. More specifically, in relation to rural areas, demand is seen to be highly price elastic. Rural markets offer a great scope for concentrated marketing efforts because of the recent increase in the rural incomes and the likelihood that such incomes will increase faster because of better production and higher prices for agricultural commodities.

### INTRODUCTION

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 of goods and services within rural areas.

price, promotion and supply of goods and services that are being exchanged among urban as well as rural markets to satisfy the wants and needs of the customers and achieve goals of the companies or organizations. Krishna-ma charyula & Ramakrishnan (2002, p. 60- 62), posit that "rural market has improved and developed for home products along with Durables".



Source : India Census 2011

The general impression among marketers is that the rural markets have potential only for agri-inputs like seeds, fertilizers, pesticides, and cattle feed and agriculture machinery. But this is partly correct. Over 50% of national income is generated in rural India' and there are opportunities to market modern goods and services in rural areas and market agri-goods in urban areas. It has been estimated that the rural markets are growing at a faster rate.

Generally rural marketing means different types of things to different types of the people. Rural marketing plays a significant role within the development of economic standards, especially in India. There are many definitions of the concept known as rural marketing. Ramkeshen, show that rural marketing is a process which includes development,

Rural marketing is real marketing and the rural bazaar is booming beyond everyone's expectation .this has been primarily attributed to a support in the purchasing capacity of farmers now enjoying and increasing marketable surplus of farm produce. Rural marketing in Indian economy has always played an influential role in the lives of people in India leaving out a few metropolitan cities; all the districts and Industrial Townships are connected with rural markets.

The rural market in India brings in bigger revenues in the country as the rural regions comprise of the maximum consumers in the country. The rural market in Indian economy generates almost more than half of the country's income. Rural India is emerging as a large market for a number of goods and services. Consumer goods, consumer durables, financial services, education, FMCG, Electronics and Electrical goods, Hosiery and Clothing, health care etc.

Rural marketing has become a buzz word among marketing professionals and preachers delivering a better standard of living and quality of life will be the new role of rural marketing. Development of communication network between rural and urban people, development of literacy and educational standards in rural areas of India. The rapid change in occupancy system in India has lead to many structural changes within the ownership model, as well as continuous changes in the buying behavior of rural consumers.

The Concept of Rural Marketing means different things to different persons. This confusion leads to distorted understanding of the problems of rural marketing. Poor diagnosis, more often than not, poor prescriptions. Rural marketing and urban marketing are identical as regards basic marketing structure. However, rural markets and rural marketing have special features and dilemmas as compared to

urban markets. The rural markets offer a great scope for concentrated marketing efforts because of the recent increase in the rural incomes and the likelihood that such incomes have increased faster because of better production and higher prices for agricultural commodities..

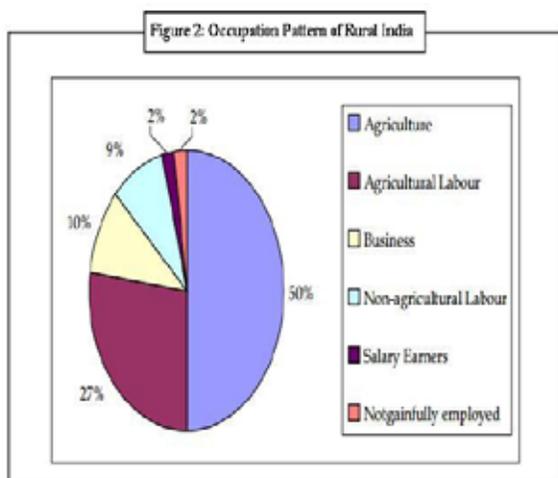
### Rural Marketing Strategies

The rural market has changed drastically in the past one decade. A decade ago, the rural market was more unstructured and was not a prioritized target location for corporates. Very few companies, mainly the agro-based ones, were concentrating in these markets. There are no innovative strategies and promotional campaigns. A distribution system did exist, but was feeble. Illiteracy and lack of technology were the other factors leading to the poor reach of products and lower level of awareness amongst villagers. Gradually, corporate realized that there was saturation, stiff competition and clutter in the urban market, and a demand was building up in rural areas. Seeing the vast potential of 75 per cent Indians living in rural areas, they started focusing on these unexplored, high-potential areas. Companies came up with special rural products, like Chic Shampoo sachets @ Re 1, Parle G Tikki Packs @ Rs 2, customized TVs by LG, Shanti Amla oil by Marico. All these brought positive results for them. Also, campaigns like Project Bharat by Hindustan Lever, where trials were generated across India in 1999, saw 30 per cent of its total personal products growing to contribute 50 per cent five years down the line. In the first phase, they covered 11.5 million rural households and increased awareness by 41 per cent.

### Strategies adopted by Companies for Rural Markets for their products and Services:

#### ➤ Changing Pattern of Rural Customers

Now a day's villagers are constantly looking forward for new branded products and good services. Indian customer in rural market was never price sensitive, but they want value for money. They are ready to pay premium for the products, if the products are offering some extra utility for the premium. Companies have recognized that social and cultural values have a very strong hold on the people in rural markets. Cultural values play major role in deciding what to buy. Furthermore rural people are emotional and sensitive. Thus, to promote products and services we should regard their social and cultural values.



#### ➤ Focus on Customer Requirement

Customers want value for their money. They do not see

any value addition associated with the products. They aim for the basic functionality. However, if the sellers provide free of cost they are happy with that. They are happy with such a high technology that can fulfill their need. For example Nokia and Reliance have launched a simple product, which has captured the market.

Promoting Products and Services with Right Person in Case of Celebrity Endorsement Companies are picking up Indian models, actors for advertisements as this helps them to show themselves as an Indian company. Diana Hayden and Shahrukh Khan are chosen as a brand ambassador for MNC quartz clock maker "OMEGA" even though when they have models like Cindy Crawford. Another example Penelope Cruz endorses for Pantene Shampoo but its more effective with Indian Models and Actors because people know them very well.

#### ➤ Easy-Way Communication especially for Rural Market

The companies have realized the importance of proper communication in local language for promoting their products especially in rural market. They have started selling the concept of quality with proper communication and in easily understandable way of communications. Their main focus is to change the Indian customers' outlook about quality.

#### ➤ Best Promotion and Quality Perception

Companies with new technology are properly capable to communicate its products and services to their customer. There is a trade-off between Quality a customer perceives and a company wants to communicate. Thus, this positioning of technology is very crucial. The perception of the Indian about the desired product is changing. Now they know the difference between the products and the utilities derived out of it. As a rural Indian customer always wanted value for money with the changed perception, one can notice difference in current market scenario especially in case of services given by the companies.

#### ➤ Promoting Indian Sports Team

Companies are promoting Indian sports teams so that they can associate themselves with India. With this, they can influence Indian mindset like during Cricket World Cup. For example Hero Honda has launched a campaign "Dhak Dhak Go" Similarly, Other companies have also launched a campaign during world cup. Products/Services Campaign like "Be Indian"

#### ➤ Patriotism with Products and Services

Companies are associating themselves with India by talking about India, by overtly saying that they are Indian and they are more patriotic. Using Indian Tricolor while doing advertisement during Independence Day and Republic Day like Nokia has designed a new cellular phone 5110, with the India tricolor and a ringing tone of "Sare Jahan se achcha".

#### ➤ Developing Specific Products for Specific Segments

Many companies are developing rural-specific products. Keeping into consideration the requirements, a firm develops these products. Electrolux is working on a made-for India fridge designed to serve basic purposes: chilled drinking water, keep cooked food fresh, and to withstand long power cuts. In Service Sector like Insurance they are focusing on Micro insurance products for rural segments.

#### ➤ Effective Media Modes of communication

Traditional media and the modern media used for rural

marketing is being used by companies. The traditional media include melas, puppetry, folk theatre etc. while the modern media includes TV, radio, e-chaupal. LIC uses puppets to educate rural masses about its insurance policies. Government of India uses puppetry in its campaigns to press ahead social issues. ITC's e-chaupal (the common place where villagers gather) has been the most elaborate and extensive venture in this field so far.

#### Adopting Best localized way of Distributing Channels

Proper distribution channels are recognized by companies. The distribution channel could be big scale Super markets; they thought that a similar system can be grown in India. However, they were wrong; soon they realized that to succeed in India they have to reach the nook and corner of the country. They have to reach the "local Paanwala, Local Baniya or Kirana Shop Owners" only they can succeed. Big Multinational companies in India capture the rural market share in India if they can go to the local market show sellers with the low priced products.

#### Issues & Challenges in Rural Marketing:

Rural market witnesses a high demand and its the rural segment of market that contributes more profit than its urban counterpart. Rural marketing broadly involves reaching customers, understanding their wants, supply of goods and services, and ultimately satisfying consumers, leading to more sales. The general impression is that only agricultural inputs like seeds, fertilizers, pesticides, cattle feed and agricultural machinery has a potential for growth in the rural market. However, there is a growing market for consumer goods now. It has been estimated the rural market is growing at the rate of five times its urban counterpart.

India is ingenious with a good degree of ethnic, cultural and regional diversity. About 3/4<sup>th</sup> 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.

Despite the fact that rural markets are a huge attraction to marketers, it is not easy to enter the market and take a sizeable share of the market, in the short time due to the following reasons.

#### ❖ Media for Promotions

Television has made a great impact and large audience has been exposed to this medium. Radio reaches large population in rural areas at a relatively low cost. However, reach of formal media is low in rural households; therefore, the market has to undertake specific sales promotion activities in rural areas like participating in fairs.

#### ❖ Buying Decisions

Rural consumers are cautious in buying and decisions are slow and delayed. They like to give a trial and only after being personally satisfied, do they buy the product.

#### ❖ Traditional Life

Life in rural areas is still governed by customs and traditions and people do not easily adopt new practices. For

example, even rich and educated class of farmers does not wear jeans or branded shoes.

#### ❖ Communication Problems

Facilities such as telephone, fax and telegram are rather poor in rural areas.

#### ❖ Low Literacy

There are not enough opportunities for education in rural areas. The literacy level is as low (36%) when compared to all- India average of 52%.

#### ❖ Seasonal Demand

Demand for goods in rural markets depends upon agricultural situation, as agriculture is the main source of income. Agriculture to a large extent depends upon monsoon and, therefore, the demand or buying capacity is not stable or regular.

#### ❖ Transportation

Many rural areas are not connected by rail transport. Kacha roads become unserviceable during the monsoon and interior villages get isolated.

#### ❖ Distribution

An effective distribution system requires village-level shopkeeper, Mandal/ Taluka- level wholesaler or preferred dealer, distributor or stockiest at district level and company-owned depot or consignment distribution at state level. The presence of too many tiers in the distribution system increases the cost of distribution.

#### Career in Rural Market

While rural marketing offers a challenging career, a rural sales person should require certain qualifications and specialized talent.

#### Future Trends

Markets which are not able to face the stiff competition posed by MNCs can restore their profits in the rural sector. The market share of urban market when compared to the rural market is low; hence if Indian industries concentrate on rural markets their sales will increase. If rural markets are brought into the limelight of development, they can move towards the prosperity. Prosperity of India lies in the prosperity of every Indian; hence no rural segment should be left untapped. Rural market has a tremendous potential that is yet to be tapped. A small increase in rural income, results in an exponential increase in buying power.

#### 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.

Rural Marketing is a developing 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. Any macro-level strategy for these markets should focus on availability, accessibility and affordability. Constant scanning and sieving of ideas and plans is essential at all times. Focused attention needs to be paid to market research that goes on to reduce the uncertainty in dealing with these markets. More specifically, in relation to rural areas, demand is seen to be very highly price elastic. It is essential to the break the price barrier. Only this can keep

the grey area local brands in check. There is no doubt

Every marketer/company must realize that the rural consumer is not a miser. He is not simply looking for the cheapest product in every category.

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