ABSTRACT

IMPORTANCE OF RURAL MARKETS:

SIBLE FOR EXISTENCE IN THE BOOM OF RURAL MARKET:

INTRODUCTION:

The fact, however, remains that there are certain unique character-istic features which call for separate marketing strategies to be distinctively developed to suit the rural and urban market behavior. Conditions existing in urban markets at present can also be analyzed in this context. First, the urban markets have almost reached a saturation level that further tapping them with a high profit margin has become difficult. Secondly, competition is becoming tough in urban markets compelling many firms to incur heavy costs in promotional expenditure. Thirdly, the awareness level of urban consumers is high and hence product features have to be changed often. Needless to say this process needs a huge investment which will have a negative impact on profitability. Thus, except perhaps for easy reach the urban markets have become as oasis.

The FMCG sector in India is the fourth largest in the economy, with a market size of over Rs. 110,000 crore and is estimated to grow to over Rs. 185,000 crore (around $37 billion) by 2014. None of the FMCG companies present in India would like to miss this opportunity. Rural markets offer immense growth opportunities like untapped market, large population, first mover advantage, huge scope for penetration etc., at the same time these markets poses some challenges also. Rural markets are an important and growing market. And it has become an important one specially for telecom operators in India. Though characteristics features such as thin population situated at distance from one another, heterogeneity, low literacy rate limited purchasing power, cyclical cash flows of rural consumers make them less attractive, but suitable marketing strategy such as bottom of pyramid, 4A’s mode availability, acceptability, affordability, and awareness, and adopting some innovative marketing strategies there by creating a win-win situation, can help companies in tapping the vast rural market. Rural markets are volume game rather than value game. This Paper tries to understand what rural markets are? Their traits, importance and challenges faced by the companies while penetrating these markets. This article also glimpses the study of some of the innovative practices undertaken by FMCG companies.

Rural market has following arrived and the following opportunities presented by rural market.

FACTORS WHICH HAVE BEEN RECOGNIZED AS RESPONS-SIBLE FOR EXISTENCE IN THE BOOM OF RURAL MARKET:

1. Increase in population and hence increase in demand.
2. A marked increase in the rural income due to agrarian prosperity.
3. Standard of living is also growing up in rural areas.
4. Large inflow of investment for rural development pro-grames from government and other sources.
5. Increased contact of rural people with their urban counter parts due to development of transport and wide communi-cation network.
6. Change in the land tenure systems causing a structural change in the ownership patterns and consequent changes in the buying behavior.
9. Rural markets are laggards in picking up new products. This will help the companies to phase their marketing efforts. This will also help to sell inventories of products out dated in urban markets.

WHAT MAKES RURAL MARKETS ATTRACTIVE?
Rural market has following arrived and the following facts substantiate this.

- 742 million people
- Estimated annual size of the rural market
- FMCG Rs. 65,000 Crores
- Durables Rs. 5,000 Crores
- Agri-inputs (incl. tractors) Rs. 45,000 Crores
- 2 / 4 wheelers Rs. 8,000 Crores
- 41 million Kisan Credit Cards issued (against 22 million credit-plus-debit cardinsk urban) with cumulative credit of Rs. 977 billion resulting in tremendous liquidity.
- Of 20 million Rediffmail signups, 60 % are from small towns. 50% transactions from these towns on Rediff online shopping site
- 42 million rural House Holds availing banking services in comparison to 27 million urban House Holds.
- Investment in formal savings instruments: 6.6 million House Holds in rural and 6.7 million in urban
- 53% of FMCG sales happen at Rural India.
- Talcum powder is used by more than 25% of rural India.
- Lipsticks are used by more than 11% of the rural women and less than 22% of the urban women.
- Close to 10% of Maruti Suzuki’s sales come from the rural market.
- Hero Honda, on its part, had 50% of its sales coming from rural market in FY’09.
- Rural India has a large consuming class with 41% of India’s middle-class and 58% of the total disposable income accounting for consumption.
- By 2010 rural India will consume 60% of the goods produced in the country.
- In 20 years, rural Indian Market will be larger than the total consumer markets in countries such as South Korea or Canada today, & almost 4 times the size of today’s urban Indian market
- Rural India accounts for 49% of motorcycle sales.
- Rural India accounts for 59% of Cigarettes sales.

OPPORTUNITIES:
- Rapid improvement in Infrastructure is attracting companies to shift focus from urban to rural market
- In 50 years only 40% villages connected by road, in next 10 years another 30%.
- More than 90 % villages electrified, though only 44% rural homes have electric connections.
- Rural Literacy level raised from 36% to 59%.
- Low penetration rates in rural so there are many marketing opportunities.
- Marketers can make effective use of the large available infrastructure
- Post offices - 1, 38,000

PROBLEMS & CHALLENGES OF RURAL MARKETS:
1. Barter system:
This system is practiced In the developing country like India, even today the barter system i.e., exchange of goods for goods exists. This is a major obstacle in the way of development of rural marketing.

2. Underdeveloped people and underdeveloped markets:
The agricultural technology has tried to develop the people and market in rural areas. Unfortunately, the impact of the technology is not experienced uniformly throughout the nation. there are large areas and groups of people who have remained beyond the technological breakthrough. In addition, the farmers with small agricultural land holdings have also been unable to take advantage of the new technology.

3. Lack of proper physical communication facilities:
Nearly 50 percent of the villages in the country do not have all weather roads. Physical communication to these villages is highly expensive. Even today, most villages in eastern part of the country are inaccessible during monsoon season.

4. Inadequate Media coverage for rural communication:
A large number of rural families in own radios and television sets there were also community radio and T.V sets. These have been used to diffuse agricultural technology to rural areas. However the coverage relating to marketing is inadequate

5. Many language and Dialects:
The number of languages and dialects vary from state to state region to region. This type of distribution of population warrants appropriate strategies to decide the extent of coverage of rural market.

6. Market organization & staff:
The size of the market organization and staff is very important, to manage market system effective control. However the existing organizational setup particularly at district and block level needs to be strengthened in order make the services on various aspects available to the farmers timely and also easily accessible to them.

7. Other influencing factors in Rural Marketing:
Natural calamities and Market conditions. Pests and diseases, Drought or too much rains, Primitive methods of cultivation, lack of proper storage facilities which exposes grain to rain and rats, Grading, Transport, Market Intelligence Long chain of middlemen wholesalers and retailers,Fundamental practices.

CHALLENGES FACED BY MARKETERS IN RURAL MARKET:
* Low literacy rate.
* Traditional outlook of rural consumers due to which they are resistant to change. Their buying decision is low and delayed.
* Demand in rural market depends on the agricultural situation as it is the main source of income. Again agriculture depends on monsoon. So buying capacity of rural consumers varies and it becomes difficult to predict demand.

CONCLUSION:
There is no doubt that the rural India offers tremendous opportunity for any company to tap. However, companies face many challenges in tackling the rural markets. Some of the important factors being an understanding of the rural customers’ needs, a reliable distribution channel, and an effective marketing communication strategy to put their message across to the rural consumer.