Research Paper Management

Understanding of Rural Consumer Market in India

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ABSTRACT

A big part of Indian population lives in villages. There are different people having different socio-cultural dynamics in rural area. In the era of industrialization and IT revolution, the behavior of consumer in rural market is changing. Rural market in India is very complex phenomena, so the need arises to study the perception of consumer in rural market. This paper attempts to have a fundamental understanding of rural market and rural consumer in India to help the marketers. This paper also focuses on potentials, challenges in rural market: big hurdles for marketers and various suggestions to overcome the hurdles faced by the marketers.

KEYWORDS Rural market, Indian population, rural market potential and rural market challenges

2. INTRODUCTION

It is always necessary for the marketers to analyze the market in which they want to enter with their marketing mix. It is important to understand the basic characteristics of a market properly. Segmentation developing product and implementation of marketing campaign is must in the era of competition. A market consists of individuals and organizations that have the money and the desire to purchase a product or a service. Thus, "market make up the target consumption" that market attempt to satisfy.

The basic components of a market are

1. Individuals and organizations.
2. Purchasing power
3. Willingness to purchase.

Size of market depends on the number of individuals and organizations. There is a need to discuss Indian rural market. India is highly populated country. It consist of a population a about 1, 21, 05, 69,573(1.21 Billion) (census 2011). And 70% of the total population live in the 6, 38,596 villages (census 2011).

Thus, the size of rural market itself speaks of it potential.

Normally, Indian population can be divided in the following income classes as under.

1. Below Poverty line
2. Lower Income class
3. Middle Income class
4. Higher Income class

Most of the marketers are computing to satisfy middle income and higher income classes. But if we talk about below poverty line class and lower income class, are often ignored. It is not a good marketing approach. If their needs and wants are properly analyzed and approached with appropriate marketing mix, than it will be beneficial.

Prime Minister Manmohan Singh also talked about his vision for rural Indian. "My vision of rural Indian it of a modern agrarian, industrial and services economy co-existing side by side, where people can live in well equipped villages and comminute easily to work, be it on the farm or in the non-farm economy".

'Go Rural' is the slogan of marketing gurus after analyzing the social economic changes in villages. It is difficult to analyze the rural market. Sometime many brands which should have been successful get failed miserably. Some people attribute success in rural market to luck. So, marketers will have to understand the social dynamics and attribute variations in each village. The brand has to be made relevant by understanding needs of consumers of rural market. Customers in rural market are in the better position with disposable income, increment in rural income, education, employment, advancement of infrastructure pay the way for good rural marketing. There is need to understand the price sensitivity of a consumer in rural area. This paper is therefore an attempt to promote the understanding of rural consumer market in India.

2. Rural Market and Rural Marketing in India

The term, 'Rural' has been defined differently by different experts and organization. Collins co Build dictionaries (2001) describe the word rural as "a place for away from town and cities." A rural market broadly comprises of consumer market, institutional markets and services (Dogra & Ghuman 2008). Kotler (ed. al 2009) defined it saying that 'Rural marketing is any marketing activity in which one dominant participant is from rural area.

Figure (1.0)

	Rural seller (RS)	Urban seller (US)
Rural buyer (RB)	I : RS – RB Intra rural All Products	II : US – RB Consumer goods, Services, agro inputs, Machinery
Urban buyer (UB)	III : RS – UB Farm & non-farm Products	IV : US – UB Intra urban All Products

Fig. 1.0 Rural Buyer seller (Products) matrix source, Vaswani et al. (2005) provided the rural buyer seller product Matrix that presents the scope of rural marketing (fig. 1.1). In the first shelf, there are products or goods which are made by rural people in rural field and used by rural people. It includes pottery, woolen, cotton, silk fabric, vegetable, fruits and so on. In the second shelf includes goods which are made and sold by urban to rural people like automobile, bicycles, fertilizers etc. itself III presents RS – US. It includes goods like vegetable, agro based products, cottage industry products. The fourth stage is not under the scope of rural marketing.

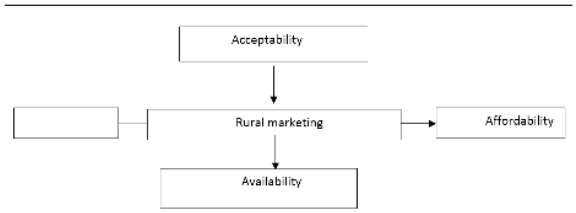

Figure: 1.1 Rural Marketing 4 A's Structure source: Kotler et. Al (2009).

4. Review of Related Literature

Once Mahatma Gandhi, the Father of India said that real India lives in villages and we need to put efforts to develop our villages. Rural markets are getting more attractive in our country. It is found that factors like penetration of media, rising aspiration of rural people and packing resolution (Bijapurkar, Rama, 2000; Kotler 2009) said that increasing income levels influenced rural marketing in our country (velayudhan, 2002). Because of liberalization policies and regulations Indian marketing scenario is changing (Gopalaswamy 1997). Marketers dealing with rural market will have to differentiate between quality and value for many which are invested by customers (Anand & Krishan, 2008). It is very clear from available literature that packing (Pandey, 2005; venkatesh 2004), Price (sarangpani & Mamatha, 2008) and promotions (Bhatt 1986) influence the rural marketing in India. It must be kept in mind that rural customer does not have money problem. He has a cash flow problem (Ashfaque Ahmed, 2013). Rural markets are heterogeneous and most important difference between rural and urban in the degree of sophistication of consumers (Dr. Satya Prakash Srivastava, Manish Kumar (2011). Rural customers are becoming brand conscious as well as price and discounts. Haring triggered by offers, rural consumers take a new products for experiment (Anil kalotra, 2013). Male members of family dominate, product planning is very crucial and packaging should be strong, brand names must be simple small and easy to remember and pronounce (B.V.N.G Chandra Shanker, 2012). Retailers in villages are very trustee in rural markets, marketing strategies should be innovative and quality is a big issue in rural market. Hence for rural purchase and consumption is concerned in the present environment (Abbas Ali, Venkat Ram Raj Thumiki and Nasear Khan 2012).

4. Research Gap

As far as literature on rural market is concerned, it seems that literature is adequate, but yet there is need to do a lot of research to understand minutely specific geographic rural markets (Bijooar, Harish 2004) .Because rural consumer behavior is very flexible and unpredictable studies are conducted on different aspects like challenges in rural markets (khatri , 2002) regarding rural markets, advertising and promotions issues in rural markets (Balakrishnan,2007). Study of Literature signifies that there is much need of research so far as rural consumer behavior in India is concerned. And this would further help the marketers to understand deeply the rural markets.

Characteristics of Rural market in India

1. A Very big market

Indian rural market is a very big market. Indian total population is approximately 15% of world. (Indian population (1.21 billion) and world population is 7 billion). This means more demand for communication items, clothes, textile, various electrical household appliances, automobiles, education facilities, health facilities, hotels, transportations and so on.

This is persuasive and motivating fact for marketers.

2. Small family trend.

Small family trend is in passion or in vague in India. This means a person in a household strives for higher dispensable income and this will lead more demand for FMCG and other.

3. Geographical Concentration of rural market.

More than 70% of Indian populations live in villages and out of which 60% population is concentrated only in 6 states of India, i.e. U.P, Bihar, Maharashtra, Andhra Pradesh, M.P., West Bengal.

This gives obvious information and understanding to reach the rural population of India with effective marketing mix.

4. Unpredictable and untapped market.

Rural market is unpredictable as rain to say about the success of any product in rural market. But future of rural marketing is promising for those who can understand dynamics of.

5. Percentage of urban and Rural population:

Sector	Years						
	1921	1931	1941	1951	1961	1971	1981
Rural	88.8	88.0	86.1	82.7	82.0	80.1	78.7
Urban	11.2	12.0	13.0	17.3	18.0	19.9	21.3

Source: Statistical outline of India 1986-87 dep't. Of Eco and Statistical.

With the analysis of above table marketers can easily understand that % of rural population is very high and more than that of urban. Decade growth of India population is 17.7% (census 2011) Secondly literacy late of Indian population has gone to 74.04% from previous figure of 64.83% (census 2001). And decade growth is 9.21%. Therefore, efforts must be made to reach this population is in rural areas, so more focus is need in context of rural market.

6. Villages are rural market in India.

There are 6, 38,596 villages in India capturing the big slot of Indian population. (59371) villages are inhabited and (44,865) are uninhabited. Total no. of villages in Indian states is too important to study. Indian states having villages in ascending order are given here.

SR. NO.	STATES	Total no. of Villages
1	U.P.	1,07,452
2	ORISSA	51,349
3	BIHAR	45,098
4	MAHARASTRA	43,711
5	RAJASTAN	41,352
6	WEST BANGAL	40,783
7	JHARKHAND	32,615
8	KARNATAKA	29,406
9	ASSAM	26,312
10	H.P.	20,118
11	PUNJAB	12,673
12	HARYANA	6,955

SOURCE CENSUS 2011.

This table provides very clear understating of Indian rural market.

7. Distinct Environment in Rural Indian :

With increase of education , social mobility , improved means of transportation, communication and employment in different occupation, the villages have been exposed to changing world and therefore, their outlook to life is also changing and because more attractive.

But before entering in rural market marketers must understand the distinct environment in rural India.

(i) **Sociological Distinctions:** Rural people feel heartily in case of their tradition and customer. The basic trait of rural behavior is fear of ridicule from others. Rural consumers do not take a new product an experiment until they are triggered to take it by others. People are fatalistic and firmly family entered. Rituals basically determine the behavior of rural customer; mass buying is done on the occasion of festival like Diwali, Holi, Rakhi, Vashkhi, and Nav-ratras and so on. This should be understood by marketers.

(ii) Economic distinctions:

Rural people can be divided in following categories

(1) The Landlords: They have their own land and properties. Their family members are educated; work in government sector or other profession. Their life style is like the urban upper class. Have a very high disposable income.

(2) Rich Farmers :

They are cultivators in village their agro related activities are horticulture, sericulture, planetary, fisheries development etc. they also like to have a better living style and should be the focus of any marketers.

(3) Government employees: They too have a high disposable income, so they are also of immediate focus for marketing effort.

(4) Other: they include rural small cultivators, agri-labourers rural artisans, masons and small businessmen. This category is also attractive.

Findings of NCAER (National Council for Applied Economic Research) study, marketers should keep in mind:

(1). Out of the 177 millions earners in country. 83% line in rural are the rural house hold have more earners per family on average than urban households.
(2) Cultivators household shared 61.1% of rural income.
(3) In rural India, 1% of the household at top income level had a share of 7% of rural income, while 60% of rural household at low income level had a share of 34.1% of rural income.
(4) 77% of rural household and 47% of urban households had an annual income below Rs.4800.

All this finding can be useful for segmenting and meeting the requirement of rural consumers in India.

(5) NCAER also indicates that rise in rural income is hoping pace with rise in income in urban.

The rural middle class is growing at 12% close to urban middle class which is growing at 13% ., Punjab, Kerala, Haryana, Rajasthan, Gujarat, Andhra Pradesh, and Maharashtra are considered highly prosperous states.

Understanding the potential of Rural Market

1) Large population: More than 70% of India population constituting 138 millions household reside in 6, 38,596 villages. This size itself speaks of its potential.
2) Growth in Market: The rural market has been growing at 3.4% per annum adding more than are million new consumers every year. Gupta of TSMG analyzed the census 2001 and came up with an estimate of 790 million.

Total income in rural India is expected to increase from around US $220 million in 2004-2005 to US $425 billion by 2010-11, a CAGR of 12%, he says.

3) Accessibility of markets: because of advancement of transportations facilities roads and amenities, marketer's accessibility to rural market is very easy.

Innovation is technology is immigrant facture.

4) Changes in Consumer behavior: increasing level of literacy and openness mind of rural youth for advancement are changing behavior of consumer in rural.
5) Now employed opportunities :

Govt. schemes like JRY (Jawahar Rozgar Yojna) Trysem (Training Rural youth for self employment), IRDP (Integrated Rural Development Program me) have played a big role in creating employment opportunities in India.

Banking sector also provides short term and long term loan to rural people. So, continuous of business activities will go on.

6) Various Govt. policies: Like Blue revolution Yellow revolution, white revolution (operation white) are govt. policies and government's stress is on self sufficiency of rural people.
7) Green card / credit card for farmers :

Canara Bank and Andhra bank were the pioneers in lunching of the kisan credit card. This enables the farmers to invest timing in agri-production.

8) The new export policy 2000: this policy paved the way to increase exports. The new export policy 2000 started OGL (Open General Licenses System).
9) Saturation and competition in urban market: Marketers find the saturation and competition in urban market. So they seek to enter in rural market. As this market is persuasive and attractive because of its untouched abilities.
10) Green revolution: Green revolution is vision was given by Dr. Swami Nathan to achieve self-sufficiency in food production in 1995. Recently, rural areas produces 299 million ton annually. Because of this rural consumer's income in increasing as well as disposable income.
11) Impact of globalization: This too has changed the psychology of youth in context of living settle and consumption.

Prof ram kishan Y, in his book 'New perspective in rural and agricultural marketing case studies' discusses through various case studies, product lifecycle of rural product and how they differ from urban products.

The changing trends in Rural Retail:

Features of retail in Rural India:-

i) Rural retail market is determinate by itinerant salesmen, kirana store, haats and medas.
ii) It is culturally dissimilar & highly fragmented speed over more than 6.3 lakh villages.
iii) Rural consumers prefer purchasing in low volumes.
iv) Rural consumers are dependent on agriculture. Which generates seasonal fluctuating income wavers the purchasing powers of rural consumers.
v) Inadequate infrastructure in terms of roads, warehouses, communication etc. (weitz levy 2003) Retail management, 5 editions, Tata mc Graw still New Delhi, PP2-40.)
12) The following statistics is enough to through light on the potential of rural Indian markets: 46% of soft drinks are sold in rural markets, 49% of motor cycles, 59% of cigarettes are consumed by rural and small town consumers. Apart from this 53% of FMCG and 59% of consumers' durables have consumption in rural market of India.

There are nearly 42,000 rural haats (markets) in India. LIC sells more than 50% of its policies in rural India (Projection by NCAER based on a 7% GDP growth (assumption).

These statistics show that there is huge/ big potential in rural market in Indian. Now markets have to approach properly, effectively, efficiently and timely to avail this untapped rural market in India.

Challenges in Rural markets:

Having big potential , the rural market are also full of challenges because of its characteristics like illiteracy, distances, vast market potential, communication, rail and road transportation, distribution of products and services, understanding consumer behavior, social-cultural, factors, languages , lack of infrastructural facilities etc.

1. One segment is completely different from others.
2. Every district, region and state differs from others.
3. It is difficult to cover and reach to Indian rural market.
4. It is also difficult to get skilled sales person conversant with rural cultural
5. Generally marketing leads are educated from foreign countries and they have a want of knowledge of Indian consumers. That is why many products get failed in rural market in India.

Conclusion

In the light of foregoing discussion we can say that Indian rural market is very vast market. The whole Indian is different in itself and an ideal example of a country having different cultural. Now, marketers have to understand social-cultural dynamics of rural market before entering with its marketing campaign in India.

Successful company will be one which meets consumers expectation through products offered at affordable cost and still is in a position to earn a decent return on investment because of its strong, efficient and intelligent distribution channel in.

Suggestions

i) Identifying rural opinion leaders for each major rural market.
ii) Interaction with consumers through email, seminars, exhibition, fairs and promotional events etc. (Saha, Debanjan , usage of opinion leaders)."
iii) Indian rural market is vast it means that was differences in people likening performances, lifestyles and so on

Therefore markets will have to develop their marketing mix as per the characteristics of rural consumers in India.

iv) A rural consumer is price sensitive so product with low price and with good quality will have to be marketed in rural market in India.
v) Research study shows that rural consumers usually do not experiment with a new product unless they are triggered motivated to do so. So marketers have to be created a effective promotional kid for its product or services.

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