

# Marketing in Rural India: Opportunities and Challenges

Surendra Pratap Singh

National P. G. College, 2-Rana Pratap Marg, Lucknow, U.P. India

Email: nationalpgcollege@gmail.com, spsingh\_dr@yahoo.co.in

**Abstract**—The concept of rural marketing in India Economy has always played a significant role in the lives of people. This concept is larger than the concept of agro marketing. It includes the inflow and outflow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. The rural market population in India accounts for around 700 million, which is approximately 70 percent of the total population. There are several difficulties encountered in exploring rural markets. The concept of rural markets in India is still in evolving shape, and the sector imposes a variety of challenges, including understanding the dynamics of the rural markets and varied strategies to attract and retain the rural consumers. This paper is an attempt to highlight and underline major opportunities and challenges in Rural India with respect to marketing of major business products.

**Index Terms**—rural marketing, agro marketing, rural markets, Indian economy

## I. INTRODUCTION

India is a vast country with a very large population. Like all the developing countries the majority of India's population is both rural and poor. More than 70% of the population which is approximately 700 million inhabit in villages [1]. It is also noteworthy that there is a clear and thick boundary line that separates rural India from urban India.

Marketing of goods and services has mostly been concentrated upon urban population which, the marketers always thought, could 'afford' to pay. It means that the marketing mostly targeted 'affordability' rather than 'necessity'. One of the great economist Mr. C K Prahalad in his book 'The Fortune at the Bottom of the Pyramid' says "The future lies with those companies who see the poor as their customers" [2]. He clearly points out that the companies should now start pondering about a change in their marketing strategies; they should concentrate on the necessity of the poor and exploit the 'smaller' payment capacity of the poor. He thus throws light on the vast potential of profits in the marketing of services and goods in rural India. The two factors, i.e., the largeness of rural population and the unexplored labyrinths of selling

possibilities must be treated as basis for evolving marketing strategies.

Globally, the bottom most section of the economic pyramid consists of four billion people whose daily income is less than 2\$ (Rs. 125) [3]. Marketing strategies across the globe have arrived at a juncture where the world marketers should now stop considering the poor as victims of fate or as a burden on the society; they are going to play an important role as prospective buyers in the not-far-of time to come. The poor are now value-conscious consumers offering a whole new world of opportunities for the marketing of both goods and services. The four billion people around the globe could be transformed into a super power offering vast opportunities for global trade bringing prosperity, higher living standard, health and hygiene, increased human values and dignity.

## II. OPPORTUNITIES

The marketing opportunities in rural India have started showing results; the shape of economic pyramid has started changing into a diamond shape. According to NCAER report (2005), the poor who have so far been occupying the bottom, which is the most part of the economic pyramid, have started showing upward movement causing the middle part to inflate. The pyramid is now becoming diamond shaped. NCAER has categorized the Indian society on the basis of annual household income and shown how the marketing strategies should now be subjected to scrutiny.

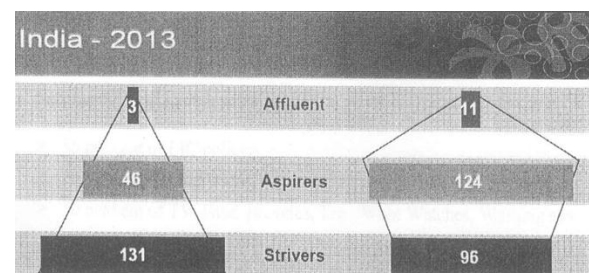


Figure 1. The shape of economic pyramid

The Indian rural market has huge potential for expansion with its vast size and immeasurable demand base. The companies providing services and manufacturers should not ignore the 'petite' needs of the poor. According to the 2011 census (initial projections)

700 million people live in rural areas in about 627000 villages [4]. Their needs are varied and infinite based on their geographical, cultural, social, economic and psychological factors. The multi-national companies with their international marketing plans should not forget that India's rural population is 12% of the world's population; there are still a number of dark alleys yet to be passed through for the marketing of goods and services.

### III. IMPORTANCE OF MARKETING IN RURAL AREAS

The following details show how big is the share of marketing of certain goods and services across rural India.

- 55 per cent of LIC policies.
- 70 per cent of toilet soaps.
- 38 per cent of all Two-Wheelers purchased.
- Of the two million plus BSNL connections (State-owned Telecom Services Provider), 50% is from small towns/villages.

The following table is worth considering as it shows the gigantic size of rural markets in terms of rupee (currency). It shows promising signs for marketers who are looking to take advantage of untapped markets in Rural India.

TABLE I. MARKET SIZE

| Sector                       | Market Size (in Rupees) |
|------------------------------|-------------------------|
| FMCG                         | 6500 Billion            |
| Agri-Inputs                  | 4500 Billion            |
| Consumer Durables            | 500 Billion             |
| Automobiles (2 & 4 Wheelers) | 800 Billion             |

Source: NCAER Report, 2011

A close analysis of the marketing trends of urban India and rural India would show that rural India has certainly much better marketing potential as against urban India. A number of surveys have been conducted by service providers and manufacturers. One of the survey conducted by a cellular company forecasts that the revenue of the sector will grow at a pace of 18.4% with most of the growth coming from rural India. Telecommunication along with satellite TV channels are offering immense marketing opportunities in rural India subsidiary items of the sectors such as dry batteries, repair of handsets and television monitors, electrical fittings, cell phone chargers, bill collection points etc are going to contribute immensely to the opportunities of marketing in rural India. In 2008 itself, the rural market has grown at an impressive rate of 25% as compared to be 7-10% growth rate of the urban consumer retail market [5]. According to a McKinsey survey conducted recently, rural India with a population of 700 million plus, would become bigger than the total consumer market in countries such as South Korea or Canada and it would grow almost four times from its existing size in the next few years.

TABLE II. COMPARISON OF USAGE BETWEEN URBAN AND RURAL AREAS

| Durables     | Urban (in %) | Rural (in %) | Penetration in Rural Indian Household (in %) | Marketing Opportunities In Rural India (in %) |
|--------------|--------------|--------------|--|---|
| Television   | 30.4         | 4.8          | 12.1   | 87.9  |
| Refrigerator | 33.5         | 3.5          | 12.0   | 88.0  |
| Shampoo      | 66.3         | 35.2         | 44.2   | 55.8  |
| Toothpaste   | 82.2         | 44.9         | 55.6   | 44.4  |

Source: NCAER Report, 2011

It is clear from the table that 30.4% urban population have color T.V and 33.5% have refrigerator. On the other hand only 4.8% rural population has color T.V and 3.5% have refrigerator. Further the table shows that 66.3 urban population use shampoo and 82.2% use toothpaste, while 35.2% rural population use shampoo and 44.9% use toothpaste. It is clear that penetration rate in rural market is low as compared to urban market. Low penetration indicates the existence of unsaturated markets and huge marketing opportunities in Rural India.

There are a number of factors responsible for the growth of quantum of marketing opportunities in rural India. These include rise in Paying capacity of the rural people, Improvement in the living standards of rural people, Refinement of needs, Accessible roads to untrodden areas, Availability of financial institutions in the villages, Guarantee of certain consumer rights, Expansion of electricity and Expansion of Mobile services and communication networks [6]

At this point we must also take government initiatives into consideration which have given unprecedented boost to the opportunities of marketing in rural India. Ministry of rural development, Government of India has given its mission statement to ensure PURA (Provision of Urban Amenities to Rural Areas). The mission statement reads "Sustainable and inclusive growth of rural India through a multi-pronged strategy for eradication of poverty and improvement of quality of life in rural India [7]."

TABLE III. RURAL MARKETS INFRASTRUCTURE

|                           |         |
|---------------------------|---------|
| Post Offices              | 138,000 |
| Haats (periodic markets)  | 42,000  |
| Melas (exhibitions)       | 25,000  |
| Mandis (agri markets)     | 7,000   |
| Public Distribution Shops | 380,000 |
| Bank Branches             | 32,000  |

Source: NCAER Report, 2011

The government has taken amongst many, four major initiatives to implement multi-pronged strategy to improve marketing opportunities in rural India. The initiatives are:

#### 1) Employment generation:

a) Direct attack on poverty by providing livelihood opportunity to below poverty line BPL households.

b) Enhancement of livelihood security by guaranteeing 100 days employment to every household in a year.

2) *Infrastructure*

- a) Road Connectivity.
- b) Provisions of Basic needs and amenities like housing, drinking water and sanitation facilities to rural households.

3) *Social security*

- a) Provision of pensions and financial assistance to the elderly, widows and disabled persons.
- b) Provision of health insurance and free medical facilities.
- c) Free education and mid-day meal.
- d) Free camps for family planning.

4) *Sustainable Development of Natural Resources*

- a) Exploring the availability of natural resources and their proper utilization for the sustainable development of rural areas.
- b) Inclusion of local people for the exploration of natural resources.
- c) Encouragement of manufacturers to generate employment opportunities coming out of available natural resources in a particular area.

IV. CHALLENGES OF MARKETING OF GOODS AND SERVICES IN RURAL INDIA

It goes without saying that the ample opportunities which have been offered by the facilities in rural areas of India have not come without challenges. The manufacturers and service providers have been indeed facing a number of challenges in their effort to sell their goods and provide services. The challenges faced by the marketers can be put in following categories:

A. *Psychological Challenges*

These include resistance against new products, attitudinal block in accepting marketing principles particularly in the matter of marketing of services, willingness to exchange for items (barter system rather than paying in currency) and resistance to improving living standards at the cost of spending hard cash.

B. *Infrastructural Challenges*

These consist of Poor road conditions, absolute absence of connectivity and transport facility for remote areas, lack of proper warehouses with facilities of preserving perishable items such as eatables, medicines etc., Lack of Electricity and rail roads and problem of transportation of goods maintaining time schedule and refrigeration facilities if required.

C. *Financial Challenges*

These cover lack of banking facilities, Inadequate credit facility for maintaining stock, High distribution cost, Higher expenditure on initial development of market, Financial gap between the demand and the purchasing capacity of the retailer, Whole sale and dealer network problems, Lack of funds for marketing related

research, Poor purchasing capacity of the villagers, Low per capita income.

D. *Education and Literacy Related Challenges*

These include Lack of awareness about new services and products due to illiteracy, low level of exposure to different product categories and product brands, Inability to read in detail the literature of services like investments, insurance, health and procedure of using a product.

E. *Nature Related Challenges*

Floods, unseasonal rains, storms and hurricanes, extremes of temperature, sustainability of products under different weather conditions and price fluctuation due to bad weather.

F. *Religious and Cultural Challenges*

People belonging to different religions and cultures have different requirements and follow different attitudes towards services and products.

G. *Medical and Health Related Challenges*

Health related issues pose immense challenges before the marketers because villagers have hardly any access to these services. There are no qualified medical professionals in the villages to prescribe suitable and write drugs and consultancy about medical and health problems. Unhygienic conditions also result in fatal diseases for which there are neither facilities for treatment nor have the rural people adequate funds to purchase expensive medicines.

V. STRATEGIES FOR RURAL MARKETING

The past practices of treating rural markets as support to the urban market are not correct, since rural markets have their own independent existence, and if cultivated well could turn into a generator of profit for the marketers. But the rural markets can be exploited by realizing them, rather than treating them as convenient extensions of the urban market.

A. *Marketing Strategy*

Marketers need to understand the psychology of the rural consumers and then act accordingly. Rural marketing involves more extensive personal selling efforts compared to urban marketing. Firms should refrain from designing goods for the urban markets and subsequently pushing them in the rural areas [8]. To effectively utilize the rural market, a brand must associate it with the same things the rural folks do. This can be done by utilizing the various rural media to reach them in their own language and in large numbers so that the brand can be associated with the varied rituals, celebrations, festivals etc.

B. *Distribution Strategy*

One of the ways could be using company delivery van which can serve two purposes - it can take the products to the customers in every nook and corner of the market, and it also enables the firm to establish direct contact with them, and thereby facilitate sales promotion. Annual

fests organized are quite popular and provide a very good platform for distribution because people visit them to make several purchases. According to the Indian Market Research Bureau, around 8000 such fests are held in rural India every year. Rural markets have the practice of fixing specific days in a week as Market Days called "Haats" when exchange of goods and services are carried out. This is another potential low cost distribution channel available to the marketers. Also, every region consisting of several villages is generally served by one satellite town termed as "Mandis" where people prefer to go to buy their durable commodities. If marketing managers use these venues, they will easily be able to cover a large section of the rural population.

### C. Promotional Strategy

Marketers must be very careful while choosing the mediums to be used for communication. Only 16% of the rural population has access to a vernacular newspaper. So, the audio visuals must be planned to convey a right message to the rural people. The rich, traditional media forms like folk dances, puppet shows, etc., with which the rural consumers are familiar and comfortable, can be used for high impact product campaigns. Radio is also very popular source of information and Entertainment, Adds on radio can also be a helpful tool for marketers.

Some other Strategies to be followed in Indian Rural Market:

- Decentralizing rural markets by detaching them from the urban bases. A give-and-take—two-way approach should replace the present one-way exploitation.
- The salesman in rural markets should be selected from the educated unemployed. Companies should also adequately concentrate on educating the villagers to save them from spurious goods and services.
- 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.
- In rural India, consumers are not brand-loyal, but their purchase patterns can be termed as brand stickiness. So, more brand awareness and presence in the markets will influence the purchasers.
- It is important for any brand to test the campaign before as well as after it is executed to understand and measure the audience consumption patterns.

## VI. CONCLUSION

Rural India is still an unknown entity requiring strategic and vision based intervention so far as creation

of opportunities and their full realization of marketing potential is concerned. It requires initial patience about the returns of investments, where the investment is going to be high in the preliminary stages. Strategies being followed for urban marketing will not produce results in rural India. Rural marketing in India and in all the developing countries is in fact extremely complex posing more challenges than opportunities. The rural consumer is highly value conscious. The marketers must develop patience in themselves and reap the fruits of opportunities without being discouraged by the challenges the rural marketing poses. Gandhi ji, the father of the nation, rightly believed that India's future lies in her villages.

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**Prof. Surendra Pratap Singh**, was born in Uttar Pradesh, India on March 8<sup>th</sup>, 1955. Prof. Singh has done his Masters in Economics from the University of Lucknow in 1976. He also has a Ph.D. in Rural Development from Avadh University, Faizabad. His Ph.D. was awarded in the year 1986. He holds the position of Prof. and Principal of National P.G. College, Lucknow since 1991. Prior to which he was Associate Professor in LBS PG College Gonda from 1988 to 1991. He joined the college as an Assistant Professor in 1976 and continued to serve in the same position to 12 years. He has authored 7 books. Three of them are as under:

1. Modern Macro Economics, ISBN 978-93-83046-39-3, New Delhi
2. Agriculture Economics ISBN 978-81-8329-748-6, New Delhi
3. Contemporary Economic Thought, ISBN 978-93-83046-47-8, New Delhi

Apart from this he has published over 30 papers and articles in several national and international journals of repute.

Prof. Singh has been a life time member of several organizations like Indian Economic Organization, Mumbai, Indian Institute of Public Administration, New delhi, Bhartiya Arthik Sodh Sansthan, Allahabad, and others. He is a Natioanl Merit Scholarship holder and has been awarded by organizations such as India International Society, New Delhi, National Thinker's Forum, New Delhi and others.