Rural Market in India: Opportunities and Challenges

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Abstract

In the recent years rural market have acquired significance and attract
the attention of marketers as 68.84% population of India reside in 6,
38,000 villages and overall growth of economy has resulted into
substantial increase in the purchasing power of the rural communities.
Due to green revolution, the rural areas are consuming a large quantity
of industrial and manufactured products. In this way rural market offers
opportunities in the form of large untapped market, increase in
disposable income, increase in literacy level and large scope for
penetration. To take the advantage of these opportunities, a special
marketing strategy ‘Rural Marketing’ has emerged. This paper tries to
understand the rural market, importance of rural marketing and status
of rural market. The main aim of the paper is to observe the potentiality
of Indian rural markets and find out various problems are being faced
by rural marketer.

INTRODUCTION

In a various market like India, Out of the total of 1210.2million
populations in India, the size of rural populations is 128 million which
constituted 78.84% of total populations as census survey of 2016,
the urban-rural divide is quite significant. During 2007-2016 population increased by 94.6 million, and the number of villages increased by 2,281 in between 2007-2016. The popular of world’s rural population lives in rural India. According to the 2016 census, 68.84 per cent of the people are scattered in 8, 51, 00 villages in India.

The demand and living model of Indian rural habitants are different and varies considerably. The cultural scope are also varies. These factors positively make an impact on the need and behavior of rural consumers. With its huge size and common selection of consumers, marketers have been finding it hard to understand and enter into rural areas, and finding difficulties to understand the norms of enter into the rural market.

Rural Markets separate from the other types of markets like stock market, commodity markets or Labour economic semi urban market. The rural market has been defined from different perspectives. According to survey of India 2016, “Revenue villages with clear surveyed margins; where the concentration of population is not more than 420 people per sq. meter, with at least 85% of the male population occupied in agricultural and related activities and which does not have a municipal corporation and board.” According to Insurance Regulatory Development Authority (IRDA) has explained on different note, “A villages with a population of less than 54,000, with 85% of male population engaged in agricultural actions” FMCG sector recognized “Rural” as place with a population less than or equal to 20,000 peoples. FMCG refers to consumer non - durable goods compulsory for daily or regular use.
They move fast at the sales answer. Normally consumer spends less time and hard work in buying these goods. They are relatively high volume and low value products. The FMCG sector consists mainly of sub-segment viz., personal care, oral care, and household’s products. India rural market is gigantic. In size, about 934 million consumers and it is spread and common over 6.40 lakh villages, and these villages are not homogeneous in size.

The rural consumers purchasing power and per capita being low, club with high sense of savings, low literacy rate, follow on in low standard of living. In addition to this, the traditions, holy force, cultural values and deep-rooted rational are the hindering factors for an upwards social mobility. This apart, the distribution of income is highly skewed, since the landholding pattern, which is the basic asset, itself is out of true. Thus rural population presents a highly various market.

The purchasing powers of the people in the rural areas mainly depend upon profitable agricultural surplus and rural - urban trade. Increase in marketable surplus of foodstuff grains leads to the consumption of manufactured consumer goods. To a larger extent Indian agriculture depend on rainfall and therefore, rainfall indirectly influences the rural demand for consumer goods. The government spending with different schemes /planning on irrigation, flood control, infrastructure development anti-poverty schemes, and fertilizers’ subsidy directly generate income and lead to the consumption of manufactured items and improved the condition of the rural masses. The buying behaviour of rural consumer is different from urban consumer. The rural consumer is more of an adopter than an innovator.

Analysis of Rural Marketing Scenario

Indian Rural markets are now dominating the urban market in conditions of demand and likely. The rural population is nearly three times of the urban market. The rural civilization is also urbanizing gradually with the increase in literacy rates and exposure to global trends. It’s showing interest in branded products and services. The use fashion in rural areas has shown a model shift from price-driven to quality-driven products.

The winds of liberalization removed barriers and presently, many nationals and internationals manufacturers have made a foray into different markets. The rural market is becoming day – to-day attractive because of its size and growth of population and households despite the exodus by migration to urban areas. About 74.84% or 983 million people are living in rural areas, consisting over 50% of the Indian middle class, and about half the country’s throwaway income. Further, there has been a shift from an agricultural economy to manufacturing and service economy and this development has been resulted into increasing job opportunities, income and demand for goods and services in rural markets. The rising rural economy presents a wide range of opportunities to consumer and industrial markets. Even as rural markets offer big attractions to the marketers,

Table 1 Growth rate of population (in %)

<table>
<thead>
<tr>
<th></th>
<th>2006-2007</th>
<th>2007-2016</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>25.4</td>
<td>22.6</td>
<td>-2.8</td>
</tr>
<tr>
<td>Rural</td>
<td>19.8</td>
<td>14.9</td>
<td>-4.9</td>
</tr>
</tbody>
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Table 2: Population in India

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Population (In Millions)</th>
<th>Urban</th>
<th>Rural</th>
<th>Rural (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>863</td>
<td>240</td>
<td>623</td>
<td>76.5</td>
</tr>
<tr>
<td>2006</td>
<td>1250</td>
<td>320</td>
<td>930</td>
<td>73.4</td>
</tr>
<tr>
<td>2016</td>
<td>1680</td>
<td>400</td>
<td>1280</td>
<td>69.4</td>
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The data determines the rural market potential. The marketer has to cover the vast and scattered market in terms of areas covered and the location of the rural population. It encompasses over 68.84% of the total population as per census of India 2016, it means 933 million populations resides in rural areas and 677 million people live in urban areas and scattered around 640,000 villages. The number of middle income and high income households in Rural Indian is probable to grow from 59 million to 85 million.

Size of rural market is likely to be 62 million households and rural market has been rising at five times the pace of the urban market. The rural population is nearly three times of urban population. The following table gives a sight over the increasing needs of the rural customers and demands of rural customers in a variety of way.

Challenges of Rural Market in India

The rural market offers a huge available potential, it should be known that it is not easy to operate in the market, because of several attendant challenges. Rural market remains available because of mainly three challenges: - distance, range, and dispersal. As much as Rural India presents a great opportunity, there are still
lots of challenges that have to be overcome. Single population and trade, large number of intermediaries in the value chains leading to the higher costs, scarce bank and credit facilities for rural customers and retailers, highly credit driven market and low investment capacity of retailers are the other roadblocks.

**Occupational Pattern of Rural Population**

<table>
<thead>
<tr>
<th>Sources</th>
<th>Rural Population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>68.4</td>
</tr>
<tr>
<td>Agriculture wager</td>
<td>25.4</td>
</tr>
<tr>
<td>Business and craft</td>
<td>19.8</td>
</tr>
<tr>
<td>Non-Agriculture Wager</td>
<td>14.5</td>
</tr>
<tr>
<td>Salaries</td>
<td>13.8</td>
</tr>
<tr>
<td>Current Transfer</td>
<td>10.6</td>
</tr>
<tr>
<td>Others</td>
<td>8.2</td>
</tr>
</tbody>
</table>

Thus, there are several Roadblocks that make it difficult to progress in the rural market. Marketers encounter a number of problems like industry with physical distribution, logistics, proper and effective use of sales force and effective marketing communication when they enter into the rural segments.

The huge population base and number of households indicates a broadly spread out market and it is a challenge for the marketer to service this single market. The number of the villages is more than five lakhs and is not uniform in size. Nearly half of the population lives in middle sized villages which have a population Ranging from 1100 to 6000 persons. These types of distribution of population
warrants right distribution and promotion strategies to decide the extent of coverage of rural market.

The rural per capita income is low as compared to urban area. Low per capita income leads to low purchasing power. This not together, the distribution of income is highly twisted, since the landholding pattern, which is basic asset, is itself twisted. Thus, rural market presents a highly heterogeneous scene. Therefore few challenges arise in this respect, like; off-taking of any product by rural consumer, maintaining of inventory levels, distribution system options, and frequency of distribution. This aspect should be carefully considered by the marketers.

There are lacks of proper physical communication services in rural areas. Almost half of the villages in the country do not have all-weather roads. Therefore reaching these villages is very actually taxing. Hence, distribution efforts put up by the marketers prove to be classy and ineffective.

The rural market, by and large, are characterized by underdeveloped people and consequently Underdeveloped market. A vast majority of rural people is not financially stable and is tradition-bound, accepting, mired in age-old customs, traditions, habits, taboos, and practices. Unfortunately, the impact of agricultural technology has not been felt uniformly throughout the country. The large segments of rural population have remained untouched by technological breakthrough.

There are vast variations in the levels of literacy amongst rural people. About two-fifth of the rural population is illiterate and only one-fifth holds a matriculate or higher degree. Also, literacy levels vary
vastly among different states. These variations pose a challenge to easy and clear knowledge of the message by all sets of rural viewers. The limited reach of mass media in rural areas and its regional and state variations pose limitations on a universal approach to communication for rural consumers. Also different perceptions, traditions, and values across states and in some case within a state; are other obstacles in communication development.

**CHALLENGES FACED BY FMCG SECTORS FOR RURAL MARKETING**

The peculiarities of the rural markets and rural consumers pose challenges to the marketers in reaching them effectively. While making out a case for opportunities that are rapidly developing in rural markets, one should not underestimate the several daunting problems in planning for growth. There are a large number of small villages which are not easily accessible because of all weather roads. Rural consumers are far less homogeneous than urban consumers. The main problems of rural marketing are discussed below:

**Transportation problems:** Transportation infrastructure is quite poor in rural India. Nearly 80 percentages of villages in the country are not connected by well constructed roads. Marketing activities require transportation facilities. Due to poor transportation facilities, farmers and marketers find it difficult to reach markets.

**Warehousing:** In the rural areas, there are no facilities for public as well as private warehousing. Marketers face problem of storage of their goods.
Packaging: It is the first important step of product processing. If the packaging cost is high, it will increase the total cost of products. It is suggested that the marketers should use cheaper materials in packaging for the rural markets.

Media Problems: Media have lots of problems in rural areas. Television is a good medium to communicate message to the rural people. But due to non-availability of power, as well as television sets, majority of the rural population cannot get the benefits of various media.

Seasonal Marketing: The main problem of rural marketing is seasonal demand in rural areas, because 75% of rural income is also seasonal. For example, the demand for consumer goods will be high during the peak crop harvesting period, because this is the time at which the rural people have substantial high cash flow. Rural marketing depends upon the demand of rural people and demand depends upon income and consumer behaviour.

Low Per Capita Income: Per capita income is lower in rural areas compared to those in urban areas. Again, the distribution of rural income is highly skewed, since the land holding pattern, which is basic asset, itself is skewed. Thus the rural population presents a highly heterogeneous spread in the villages.

Low Level of Literacy Rate: The literacy rate is low in rural areas compared to urban areas. This again leads to the problem of communication for promotion purpose. Print medium becomes ineffective and to an extent irrelevant in rural areas since its reach is poor.
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 to deal with rural consumers.

Cultural Factors: Culture is a system of shared values, beliefs and perceptions that influence the behavior of consumers. There are different groups based on religion, caste, occupation, income, age, education and politics and each group exerts influence on the behavior of people in villages. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India is still in evolving shape, and the sector poses a variety of challenges. Distribution costs and non-availability of retail outlets are major problems faced by the marketers. The unique consumption patterns, tastes, and needs of the rural consumers should be analyzed at the product planning stage so that they match the needs of the rural people. Therefore, marketers need to understand the social dynamics and attitude variations within each village though nationally it follows a consistent pattern.

Suggestions to Cope Up With the Challenges

Product redesign from the start can be done. Marginal changes to open product will not work effectively.

To check the sale of fake and false products, the only practical way is to improve the distribution and make the products available in
as many places as possible including haats as mostly the sale of fake products is prevalent due to non availability of original product at large number of rural outlets.

Products can be price to put up volume in the rural market, especially for smaller pack size.

The challenge of „lack of right competence“ and „difference in languages and dialects“ can be cope up with recruiting front staff from rural parts of India instead from the urban part. Even the frontline managers can be recruited from the rural management institute and agricultural universities.

Products should be made available in small packs as the rural consumers are not able to buy high priced products due to lack of much finance.

**FACTORS ACCOUNTABLE FOR UPCOMING PARADIGMS OF RURAL MARKETING**

**Increase in purchasing power and disposable income:**

Projects from the private companies and the rural employment initiatives by the governmental like NREGA (National Rural Employment Guarantee) schemes have given the rural population an opportunity to meet their daily needs. The loan waiver in the agriculture sector and an increasing demand for labour in the urban areas, has given a boost to the income levels in the rural sectors. Consequent lifestyle up grade has added a new spectrum.

Accessibility of market: Improvement in the road systems linking the villages has led to a systematic product distribution system. Earlier, there was a “trickle down “of the stocks observed to the buyers in the
interior villages. These days, companies use delivery cum promotion vans that travel 8-10 haats/markets daily as a part of direct contact with villagers.

Competition in the urban market: The urban markets have got extremely saturated with the presence of all big players. This is very much evident in the automobile market. Motorcycles and scooters often find more acceptances in rural market as compared to urban market, since there is more proliferation of brands in the latter markets.

Reduction of risk during recession: It has been observed that the companies which cater to both urban and rural markets tackle the recession in a better way. The demand for goods in the urban market often follows a cyclic whereas in the rural market it is steady. The companies are bound to tailor the strategies depending on various factors to appeal to the rural market. For example, Hindustan Unilever Limited came out with the concept of “Shakti Ammas” (female social entrepreneurs) which was an innovative way of marketing products. This much needed transition can be weighed according to the 4 A’s model (Availability, Affordability, Acceptability and Awareness).

Availability deals with making the product reach the consumers. For this purpose a highly integrated extensive distribution network is necessary and in rural context, the company incurs higher cost towards the logistics as compared to urban areas. In case of Shakti campaign, the local Shakti Amma’s are selected based on their popularity which allows faster access to products.

Affordability involves pricing the product in such a manner that the people are attracted and at the same time it covers all the cost incurred.
Acceptability encompasses issues how the product or service could be made more acceptable to the rural consumers by incorporating attractive features. For example, Eveready came out with Jeevan-Sathi torches, with features like durable design and long life to make it more acceptable.

Awareness is linked to the issues of promotion of product in rural areas. The promotion needs to be adapted to the village environment, the local language and means of communication used. The best places to promote could be the frequently visited local haats and melas, the local festivals. Agricultural cycles require a major consideration too. As rural households form 72% of total households and increasing levels of income coupled with more and more penetration to the rural markets is expected to take rural FMCG from the current Rs. 1,16,300 crore to a market size of Rs. 1,86,500 crore in 2018, which is a CAGR of 10%. Moreover, the global information and measurement company Nielsen has revealed that around 80% of FMCG categories are growing faster in rural India as against urban India. There is a huge growth potential for all the FMCG companies as the per capita consumption of almost all products in the country is amongst the lowest in the world.

Conclusions

Indian Rural Market play a key role as it provides great opportunities to the corporation to make longer their reach to near seventy percent of population. Rural market also profits the rural economy by providing infrastructure services, uplifting the set and quality of life of the people reside in rural area. Though the rural market has become a choice destination for every marketers but it’s important to realize that it has lot of challenges and risk, so
corporations should tax the obstruction as carefully as possible. A thorough understanding of rural markets and systematic move towards are necessary to enter rural market. In order to develop marketing power the rural consumers buying behavior. Rural market is the market of the new millennium. The rural market is where the markets of the future are likely to be. Urban markets are becoming more and more feasible for many products. In some cases they are even soaked. Opportunities and challenges go hand in hand. Rural market provides various opportunities like - huge market, increase in literacy rate, improvement in infrastructure, etc. down with opportunities, it poses some challenges like - scattered market, serial demand, lack of right skill, etc. which need to be cope up. Marketers will I include expressive the rural customers before they can make inroads into the rural markets.

References

3. Risley, George, Modern Industrial Marketing, Mc Grew Hill, New York, 1970,