Indian Rural Market - An Overview

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Abstract

In spite of having so many challenges in rural marketing the companies have shown considerable interest in the rural India and have tried to market themselves using the 4A model which says that the products marketed should be acceptable by the rural population, the products should be easily available, they should be affordable and most importantly an awareness drive should be created to educate people about the products.

INTRODUCTION

The concept of Marketing is demographic; it varies from place to place targeting people from various occupations, lifestyles and stages of life and making them aware of particular goods or products which might be of substantial use in their day to day life. Before we delve deep into the topic to figure out what are the challenges and opportunities that lies ahead for companies in rural marketing, we need to understand the very reason why the term “Rural Marketing” was coined In the 1970s, Nirma launched its low-priced detergent for consumers who had low income, especially for the rural population. Till then most of the products manufactured were aimed for the urban middle class and elite. But there existed a huge potential for low-priced products targeted for rural

population. This concept was then extended and explained in a brilliant way by C.K Prahlad in his book “The Fortune at the Bottom of the Pyramid” according to whom the world population can be represented in the form of a Pyramid with the elite class lying at the tip of the pyramid, the middle and the upper-middle class lying in the mid-area of the pyramid and the lower class, which consists mainly population in rural areas, lying at the Bottom of the Pyramid. The concept can be well visualized in the figure given below. Around 4000 million people considered to be the poorest in the world are placed in the bottom of the pyramid. Given its vast size, Tier 4 represents a multitrillion-dollar market. According to World Bank projections, population at the bottom of the pyramid could swell to more than 6 billion people over the next 40 years, because the bulk of the world’s population growth occurs there. This is reason enough for firms from various sectors like FMCG, telecom, electronics etc to come up with new marketing strategies aimed to capture the rural market, hence the concept of Rural Marketing.

Opportunities Almost 70% of the Indian population lives in villages and rural areas. Rural India consumes almost 60% of the total goods manufactured in India with majority of the products coming from FMCG sector. Products like shampoo or skin moisturizer was never affordable to people in the rural areas because the price was too high. CavinCare, came out with an innovative idea of manufacturing small sachets of shampoo priced at 50 paisa. Suddenly shampoo which was not at all a popular product in rural areas had high demand in the market. This model was soon followed by the other FMCG companies where re-packaging of products like shampoos, soaps, toothpaste, detergents was done in the form of small sachets with a low price range. But due to the poor infrastructure in the rural areas marketing the products are a big
headache for the FMCG companies. A marketing strategy which is hugely untapped by most of the companies is employing the villagers themselves to market the products. HUL has been the pioneer in this form of marketing by the launch of the campaign HUL Shakti where women in villages are employed to form a distribution network of HUL products in the rural areas. Employing local people for marketing especially in areas where it is difficult to transport and commute was an innovative way to increase accessibility and marketing of the Bottom of the Pyramid (BoP) products. Considering the huge market share that FMCG products holds in the rural areas more companies should follow this strategy to market their products and have a larger reach.

On a different note the electronics companies can also follow the BoP product structure followed by the FMCG companies in manufacturing low end small variants of refrigerators and air coolers/conditioners. Though electricity is one of the major hindrances in rural areas the problem can be overcome by extensive use of solar energy which will be discussed in the later part of the article. With FDI in retail making an entry in the Indian market agro-based companies can follow the structure adopted by ITC in e-Chaupal. ITC e-Chaupal follows a three layered structure which aims for profit maximization of farmers by cutting down on the involvement of the middlemen. ITC has successfully used this model for manufacturing “Aashirvaad Aata” by directly procuring high quality wheat from the farmers. Companies can follow this model in obtaining farm products directly from the farmers across India and sell them in the urban super markets which will be beneficial for the farmers as well as the consumers. An ad on advantage of this system is the use of the structured model in marketing other products in the rural market. For example with the help of the 3-layered
e-Chaupal structure ITC was able to form a distribution system for the low priced cigarettes it manufactures in the rural market. In rural India marketing of a product mainly happens by the word of the mouth and by peer experiences of use of the product, due to the comparative less use of television and almost no access to internet.

Research has also proved that rural consumers do not change their products frequently if they are satisfied with the product. Brand loyalty is high. Therefore the primary aim of any firm should be to position their brand in the mind of the rural population well, during the launching phase which will enable them to have a permanent and long lasting presence in the market. They should try to associate a good-will with their brand. For example, non-availability of drinking water is one of the major issues in rural India. A company can launch a campaign of building tube-wells in the water hit villages in some parts of the country and try to emotionally connect with the people. Likewise a company can open their customer care/business processing units in the rural areas of the country. With growth of education in the rural areas there are enough people available, especially the youth who can be employable. Apart from creating a good-will this will also result in cost saving for the company as the cost of employment in rural India is much less compared to the cities.

With increase in per capita income due to use of superior quality of seeds and fertilizers and also due to the fact that there are a lot of rural schemes introduced by the government of India for the rural population the standard of living has improved. The following sectors can cache in on this development to extend their market to the BoP population of the country.
1. FMCG 2. Automobile (2 wheelers) 3. Telecom 4. Electronics

Firms which deal in renewable energy, especially solar energy, also can have a huge market in rural India. With better quality and low priced photovoltaic cells being manufactured today, making solar lamps at a very reasonable price is not a demandable job. FMCG companies like Coca-cola, Cadbury or electronics companies selling low-end refrigerators or air-coolers can go into a partnership with renewable energy firms in such a project. It will be a two way benefit project where the FMCG and consumer goods companies can also find new market in rural India due to availability of electricity.

Challenges: Although the rural market does offer a vast untapped potential, it should also be recognized that it is not that easy to operate in rural market because of several problems. The major issues faced by companies are as follows:-

- **Low Literacy**: It is difficult to educate the potential consumers in rural market about products due to low level of literacy.

- **Seasonal Demand**: Monsoon being the harvesting season in India and agriculture being the primary occupation of majority of the rural population the demand for goods is majorly restricted in during the monsoons when the income is comparatively high.

- **Transportation and Distribution**: The poor state of rural infrastructure is one of the major concerns of most of the companies planning to invest in this sector. Though the rural population is vast it is not possible to form an effective distribution system and reach out to a considerable number of target consumers.

- **Many Languages and Dialects**: The presence of local languages causes major difficulty for companies in promoting their products
in rural market. People are not educated enough to know one common language like Hindi or English and it is difficult for the companies to prepare promotional advertisements in every local language.

- **Availability of duplicate and cheap brands:** Customers in rural India are very cost sensitive. Therefore the existence of duplicate brands, which are quite common in rural parts, at lesser prices gives considerable competition to the firms.

**Conclusion:** In spite of having so many challenges in rural marketing the companies have shown considerable interest in the rural India and have tried to market themselves using the 4A model which says that the products marketed should be acceptable by the rural population, the products should be easily available, they should be affordable and most importantly an awareness drive should be created to educate people about the products.

**References**