

# A STUDY ON OPPORTUNITIES AND PROBLEMS IN RURAL MARKET

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**Introduction:-**According to Mr. Adi Godrej of Godrej industries "The rural consumer is sensitive and the rural market is vibrant. At the current rate of growth it will soon outstrip the urban market. The rural consumer is not sleeping anymore. We are,"

India is an agricultural based nation so we may say villages are the heart of India. The Indian rural market with its vast size and demand base offers great opportunities to Indian and foreign marketers. Indian economy also directly indirectly depends on agricultural business and rural market. Rural India is generating more than half of the national income. India's 58% disposable income comes from its rural parts where 41% of the country's middle class homes are located. Approximately 75% of India's population (Equalling 12.2% of the world's population) lives in 6, 38,365 villages spread over 32 lakh square kilometres. of this rural population, about 90% is concentrated in the villages having population less than 2000, as per the census survey rural segment companies 13.5 Crores household which constitute 72% of the total household in India with 48 Crores adult individual. Means in totality we may say rural market is flourishing market because in this market a untouched segment is present which have purchasing power but they are not aware about the features and availability of product, only marketers should focus on the providing information to customers.

In Recent years, rural markets in INDIA have acquired great significance, as the overall growth of the Indian economy has led to an increase in the purchasing power of the Indian rural household. Also on account of green revolution and improved facilities for rural people, the rural areas are consuming a large part of the industrial and manufactured products. In this context, a special Marketing strategy namely, rural marketing has emerged. According to a survey highest numbers of SUV cars and others electronics

gadgets sold in Haryana which is mainly depends on agricultural, at present with the help of different technologies farmers can earns higher production and can increase their earning which may spends on fulfill their needs, wants and demands.

The rural marketing in Indian economy has always played a prominent role in the lives of people in India, leaving out a few metropolitan cities; all the district and industrial townships are connected with rural market. The rural market in India generates bigger revenues in the country. As the rural region comprise of maximum customers in this country. The rural market in Indian economy generates almost more than half of the country's income.

In this paper we are try to focus on problems faced by rural market in rural market and shows different opportunities in rural market for marketers rather than in urban market.

Rural marketing in Indian economy can be classified under two broad categories:-

- ❖ The market for consumer goods that comprise of durable and non- durable goods
- ❖ The markets for agricultural inputs that include fertilizers, pesticides, seeds, and so on.

The concept of rural marketing in India is often been found to form ambiguity in the minds of people who think rural marketing is all about agricultural marketing. However, rural marketing determines carrying out of business activities in form 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.

In rural dominated country like India, whereby nearly 40% of the population is live in villages the concept of rural marketing must be developed in nature business organisation must consider how to integrates rural areas into their business model to creates a win-win solutions delivering a better standard of living and enhancing the quality of life in an efficient manner will be the new role of rural



**mansoon:** - there was a time when marketers predict demands in rural areas based on mansoon but this trend has changed over the years: at present most of the rural earning depends on non farming activities. Many farmers learn different skills by government schemes for earning apart from farming.

**Government programmes and subsidiary:** - Government provides different schemes for upgrade rural market. Government at various levels has also helped in promoting the sales of rural products outside the confines of local environment which provides high rates of that product.

**Untapped potential:** - At present rural market offers a great chances for different branded goods as well as services. Rural population is nearly three times the urban so this large no. of customers and high purchasing power increase the chances for the different companies but most of the companies do not focus on that areas so there may be untapped potential.

**Increase rural consumption:** - As per NCAER report of 2010, rural consumption is more than urban, with sales of FMCGs from the rural areas. the estimated annual size of rural market for FMCGs is RS 80,000 crores out of a total market of Rs. 1,65,000 crore.

The all India average per capita household expenditure is rs. 410. Among the seven high consumption states, Punjab is in the lead position which mainly generates revenues from agricultural activities there has been a phenomenal improvement in rural incomes and rural spending power. Successive good monsoons have led to a dramatic boost in crop yields. Tax exemption on rural income too has been responsible for the enhanced rural purchasing power.

**Market Size:** - in India more than 65-70% area is covered by in rural areas. That can provide a great opportunity for Indian companies. The size of India's rural market is stated as 12.2% of the percentage of old population this means 12.2% of the worlds live in rural India. In India, rural household farm about 72% of total household constitutes a huge market by any standard. So we may say that market size of rural areas in reality huge market for the companies so all companies focuses on that areas.

Some other reasons for attracting different companies in rural areas or opportunities in rural areas

- ❖ Rich people attract towards rural areas for peaceful life. Agricultural land is being converted into the luxurious form house, such moves leading to tremendous development of rural market.

- ❖ Liberal assistance from national and international financial institutions and agencies for rural development has changed rural lifestyle.
- ❖ Socio economic changes (life style, habits and taste and economic status) resulted into drastic change in living of rural people resulted into greater potential for cosmetics and durable products along with automobiles.
- ❖ Rapidly increase in demand due to increase in population in rural areas. At present rural population is account for nearly 82 Crores of total Indian population.
- ❖ Government continuously provides different facilities and scheme inflow of investment in rural development programmers so it also contributes to rural development.
- ❖ Profitable farming and better and better marketing options have made large numbers of villagers potential consumers for FMCG companies.
- ❖ Due to transportation and telecommunication facilities in rural area is also a crucial factor for rural market boom.
- ❖ Increasing Purchasing power of rural peoples due to mobility of rural population to urban areas, metro cities.
- ❖ Increasing literacy rate an education level among rural folks and growth of academic and training institute in rural place have accelerated growth of rural market.
- ❖ Active involvement of giants business units i.e. reliance fresh Tata group etc. enter rural market which have changed income and life style of rural people.
- ❖ Improved and increased political influence of rural people can significantly contribute to rural development.
- ❖ Availability of electricity, education, health (hospitals) entertainment and communication and so on contribute to rural development.
- ❖ Increased corporate business interest in rural areas resulted into rapid rural development and consequently has fuelled to growth of rural market. Corporate tycoons i.e. Tata, Aditya Birla group, reliance group, are liberally donating for improving rural infrastructure.

#### **Problems in rural areas**

Every coin has two sides in same manner rural marketing has some opportunities as well as some problems which may face by the marketers who start their business in rural market. Some of the main problems discuss here, which are the following:-

Heterogeneous market: - Rural market is not homogenous across the country. Variations in the level of exposure to urban centres and the extent of development in a region have resulted in tremendous heterogeneity. The consumer willingness to accept innovation also varies significantly from one rural to another. As many as 20,000 ethnic groups are present rural India, and this poses formidable challenges to the marketer. There are 24 languages and 1,642 dialects, and the dialect varies every 100 kilometres or so, making it extremely difficult to develop a uniform promotional messages.

Variation in economic development and socio-cultural background influence consumer willingness to accept innovations and new products in different areas.

Wide and scattered market: - the rural market of India is large and scattered in sense of over 63 Crores consumers from 6, 38,365 villages spread throughout the country while urban population is concentrated in around 3200 cities. Large and scattered market is difficult to reach in both aspects promotion and distribution. most of the villages are extremely small with population less than 1000 people. Only 1 percent villages have population of more than 5000. It is challenging tasks to choose target markets and to serve them effectively.

**Transportation:** - "reaching your products to remote locations spreads over 6, 00,000 villages and that too with poor infrastructure-roads, telecommunication, etc. And the lower level of literacy is a few hinges that come in the way of marketers to reach the rural market." Says MART Managing Director, Pradeep Kashyap.

### Figure 2

Transportation is the nerve centre for any type of business. Most of villages are not properly connected with main roads. Every year during monsoon thousands of villages are disconnected for a longer time. Lack of proper transportation hinders marketing activities. Agro- based products cannot be sent to marketing centres, and industrial products cannot be supplied to rural population safely in time.

The problems of physical distribution and channels management adversely affect the service as well as the cost aspect. One of the greatest challenges for rural marketing lies in reaching out to the remotest destinations and having a number of vendors at the retailing end.

Limited Knowledge: - this clear by different research and studies that many different figures and data are existences for the same thing at the same

time that some of the times; it becomes difficult to pick one to believe. Even the estimates for the basic figure with regards to the total market size of the FMCG markets supplied by different research organisations are very different from one another.

**Low living Standards:** - rural customers have low income, low purchasing power, low literacy rate and therefore, low standard of living. But picture is now changing and marketers can have better opportunities than ever. Low standards of living restrict their buying ability and peace of adopting products.

**Inadequate marketing support:** - Normally, producers and wholesaler do not extend full support to rural retailers in term of liberal credit, financial assistance, and other facilities that they offer to traders of urban areas. In same way, rural customers and retailers are not given adequate space in designing overall marketing programme.

**Understanding the Psyche of the rural consume:** - understanding consumer behaviour or psychology of consumer is another challenge for the marketers because there are different languages and norms and taboos which change to villages to villages.

**Uncertain and unpredictable market:** - market response is difficult to scale. They do not have stable and predicted behaviour. In such a situation, effective marketing strategies do not make a sense. Rapid changes are difficult to incorporate and hence, there are more chances to suffer. Overwhelming response of rural population to some products experiences sudden fall. Market planning remains ever challenging in rural segments.

**Language problem:** - language is the main constraints in communication strategies. Multiplicity of language spoken in rural areas makes marketing activities difficult. Languages differ from state to state, and area to area in the same state. While designing advertising, personal selling, and publicity strategies, marketers cannot fulfil linguistic expectation of all rural people. Promotion programme always lack versatility.

**Communication:** - there might be communication barriers due to differences in the understanding of the language or icons used for advertising a product or service. Different words and images can have totally different interpretations in the rural market as compared to the urban market. Symbolism, emotional appeal and an indirect approach for promoting the product, which might be effective in urban areas, may not work in rural areas, as rural consumers want the benefit to be explained directly and clearly.

**Urban orientation and Bias:** - the notion that rural

people are just like urban ones and thus, they too have the same needs, desires, and aspirations is one of the major blocks in the path of achieving success in rural markets. The understanding of rural customer by most marketers is based on the urban customers.

Mostly marketers treating rural customers as the poor part of society then they cannot judge needs, wants and demand of the rural areas which may be harmful for society, rural customers and company.

**Seasonal and irregular demand:** - rural demand based on season and mostly irregular because their purchasing power mainly depends on the agricultural production, and agricultural production on monsoon that is uncertain.

**Cost per contact:** - one (Single) advertising media and advertising copy is sufficient for all rural market due to different language and taboos. So marketers should launch different promotional activities in different rural areas. One exposure may not be sufficient and the frequency of the exposures required varies by the product categories.

**Backwardness:** - rural customer cannot be easily convinced to try, use, and adopt certain products with better qualities and innovative features. Rural customers are economically backward. More than more than 30 percent of the rural population live below the poverty line; due to poverty they spent their income firstly on their basic necessities. Backwardness also affects their mentality to change. Poor purchasing power and rigidity is the main constraints for marketers to serve them.

**Sales of Counterfeiter and cloners:** - A research undertaken by A.C. Nielsen reported that the sales value of the fakes and counterfeits of P&G's vicks brand were almost equal to sale of the brand. Marketer sales the duplicates product as well as package and sells it through disrepute distributors in rural areas such duplicate products are available at low prices in market so rural can easily purchase by rural customers.

**Inadequate banking and credit facilities:** In rural markets, distribution is also handicapped due to lack of adequate banking and credit facilities. The rural outlets require banking support to enable remittances, to get replenishment of stocks, to facilitate credit transactions in general, and to obtain credit support from the bank.

Retailers are unable to carry optimum stocks in the absence of adequate credit facilities. Because of this problem, they are not able to offer credit to the consumers. All these problems lead to low marketing activities in rural areas. It is estimated that there is

one bank for every 50 villages, showing the poor banking facilities in rural areas.

**Market segmentation in rural markets:** Market segmentation is the process of dividing the total market into a number of sub-markets.

The heterogeneous market is broken up into a number of relatively homogeneous units. Market segmentation is as important in rural marketing as it is in urban marketing. Most firms assume that rural markets are homogeneous. It is unwise on the part of these firms to

Assume that the rural market can be served with the same product, price and promotion combination.

**Packaging:** As far as packaging is concerned, as a general rule, smaller packages are more popular in the rural areas. At present, all essential products are not available in villages in smaller packaging. The lower income group consumers are not able to purchase large and medium size packaged goods. It is also found that the labelling on the package is not in the local language. This is a major constraint to rural consumers understanding the product characteristics.

### **Conclusion**

Thus looking at the challenges and the opportunities which rural markets offer to the marketers it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage. A radical change in attitudes of marketers towards the vibrant and burgeoning rural markets is called for, so they can successfully impress on the 230 million rural consumers spread over approximately six hundred thousand villages in rural India.

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.

This calls for a paradigm shift in the thinking of the top management of the companies, which have been reluctant to realize the potential of rural markets. The mantra for success can be further augmented by the Four 'A' Framework (Affordability, Acceptability, Accessibility & Awareness). These factors will go a long way in providing the company with market value coverage along with a steady

source of revenues.

The Rural population is nearly three times the urban, so that Rural consumers have become the prime target market for consumer durable and non-durable products, food, construction, electrical, electronics, automobiles, banks, insurance companies and other sectors besides hundred per cent of agricultural -input products such as seeds, fertilizers, pesticides and farm machinery. The consumer of rural market wants those products which are long lasting, good, easy to use and cheaper.

It is necessary for all the major companies to provide those products which are easy to available and affordable to the consumers. It is right that the profit margin is very low in the FMCG products, but at the same time the market size is much large in the rural area. The companies can reduce their prices by cutting the costs on the packaging because the rural consumers don't need attractive packaging.

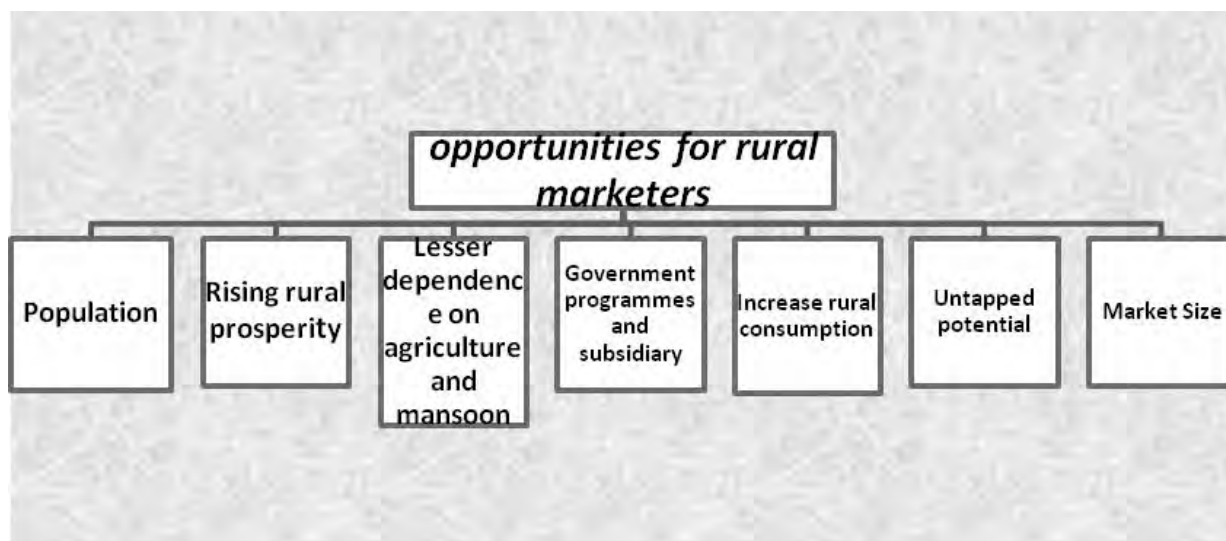
Rural market has an untapped potential like rain but it is different from the urban market so it requires the different marketing strategies and marketer has to meet the challenges to be successful in rural market.

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Stock	1995-96 (in '000)	Share in percent	2001-02 (in '000)	Share in percent	2011-12 (in '000)	Share in percent
Scooters	2496	25.2	4416	29.8	6125	32
Motorcycle	2210	45.8	6710	50.4	34724	55.4
Mopeds	2096	37.3	3930	42.2	7333	46.6
Television	21411	40.7	40605	47.6	63295	44.9
Cars/ jeep	197	7.4	389	6.9	1876	9.3

Figure 1



**Figure 2**

