

Rural marketing in Indian corporate world: Issues and challenges

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ABSTRACT

Indian Rural Marketing has always been complex to forecast and consist of special uniqueness. However many companies were successful in entering the rural markets. They proved with proper understanding of the market an innovative marketing idea, it is possible to bag the rural markets. It is very difficult for the companies to overlook the opportunities they could from rural markets. As Two – Thirds of Indian population lives in rural areas, the market is much unexpected for the companies to be successful in rural markets. They have to overcome certain challenges such as Pricing and Distribution.

The present paper has been covered to know the rural market challenges in India. The study on different Rural Marketing Strategies, to analyze Rural Marketing Strategies Adopted by stated business houses, to highlight the significance and challenges of rural marketing in India, to evaluate SWOT analysis of rural marketing.

INTRODUCTION:

Marketing may aptly be described as the process of defining, anticipating and knowing customer needs and the organizing all the resources of the company to satisfy them. Rural marketing involves delivering, manufactured or processed inputs or services to rural producers or consumers so as to soak up the huge size of the untapped rural market. In today's congested and difficult markets, both local and global, all FMCG as well as other companies search for new opportunities, consumers and markets. In rural market of India started showing its potential in the 1960s. The 70s &80s witnessed its steady development. And there are clear indications that the 21st century is going to see its full blossoming. In rural India there are 800 million potential customers presented both an opportunity and a problem, as this market has been characterized by unbalanced growth and infrastructural problems. Thus looking at the opportunities which rural markets offer to the marketers it seems that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage.

The Concept:

The term "rural marketing" used to be an umbrella term for the people who deal with rural people in one way or the other. This term got a separate meaning and importance after economic revaluation in India after 1990.

Part I before 1960:

Rural marketing referred to selling of rural products in rural and urban areas and agricultural inputs in rural markets. It was treated as synonymous to agricultural marketing

Part II (1960-1990):

In this Era green revolution resulted from scientific farming and transferred many of the poor villages into prosperous business centers. As a result the demand for agricultural inputs went up especially in terms of wheat and paddies. During this period two separate areas of activities took place. “Marketing of agricultural inputs” and “the conventional agricultural marketing”. During this period the marketing of rural products received considerable attention in the general marketing frame work.

Part III (After Mid 1990s)

Rural markets were seen an adjunct to urban market and conveniently ignored. However since 1990s India’s industrial sector has gained in strength and maturity. Its contribution to GNP increased substantially. A new service sector had emerged signifying the metamorphosis of agricultural society into industrial society. The economic reforms further accelerated the process by introducing competition in the markets, steadily. The rural market has grown for house hold consumables and durables. “Rural marketing can be seen as a function which manages all those activities involved in assessing, stimulating & converting the purchasing power into an effective demand for specific products & service & moving them to the people in rural areas to create satisfaction & a standard of living for them & there by achieves the goals of the organization.

Significance of Rural Marketing in India:

If you meet a sales executive today and ask which market he would prefer to serve. The immediate answer would be “rural markets” as they are still unexploited. In recent years rural markets have acquired significance in countries like china and India as the overall growth of the

economy has resulted into substantial increase in the purchasing power of the rural communities on the account of green revolution in India the rural areas are consuming a large quantity of industrial and urban manufactured products in this context a special marketing strategy namely rural marketing has taken shape. A number of factors have been recognized as responsible for the rural market boom,

Increase in population and hence increase in demand. Large inflow of investment for rural development programs from government and other sources. A marked increase in the rural income due to agrarian prosperity. Inflow of foreign remittances and foreign made goods in rural areas. Increase in literacy & educational level among rural folks & the resultant inclination to lead sophisticated lives. Increased contact of rural people with urban people through a wide communication network.

Objectives of the Study:

The main objectives of the paper are:

- To know the rural market in India.
- The study on different Rural Marketing Strategies
- To analyze Rural Marketing Strategies Adopted by stated business houses.
- To highlight the Significance and Challenges of Rural Marketing in India.
- To evaluate SWOT ANALYSIS of Rural Marketing.

Rural market in India:

Marketing today has changed the dynamics of the business. As the consumers are getting informative, the business is becoming competitive day-by-day. Marketers are seeking fresher challenges everyday and are looking to increase their realm. The urban consumer has been coddled till now but this market is shrinking, prompting the marketer to now explore the rural consumers, which promises a huge potential. The marketers have enough scale to offer and enough desire to consume.

What constitutes the rural market?

The census of India defines rural as any habitation where the population density is less than 400 per sq. km, and where at least 75 per cent of the male working population is engaged in agriculture, and where there isn't any municipality or board. Having said that, there are about 600,000-odd villages in India.

Rural market potential:

The rural market has been growing steadily over the past few years and is now even bigger than the urban market. At present 53 per cent of all FMCGs and 59 per cent of all consumer durables are being sold in rural India. The biggest FMCG Company in India HLL derives more than half of its Revenues from the rural markets.

- About 285 million reside in urban India as compared to 742 million in rural India.

- The number of middle income and high-income household in rural India is expected to grow from 80 million to 111 million by 2007 while urban India is expected to grow from 46 million to 59 million.
- 53 per cent of all FMCGs and 59 per cent of all consumer durables are sold in rural India.
- Number of poor household is expected to shrink by half to 28 million in 2006-07 from 61 million in 1997-98, taking rural people from poverty to prosperity.
- Rural marketing involves addressing around 700 million potential consumers, over 40 per cent of the Indian middle-class, and about half the country's disposable income.
- The Indian rural market is almost twice as large as the entire market of USA or Russia.
- The rural market for FMCG is Rs. 65,000 crore, for durables Rs. 5,000 crore, for tractors and agri-inputs Rs. 45,000 crore and two- and four-wheelers, Rs. 8,000 crore. In total, a whopping Rs. 1, 23,000 crore.

Rural Marketing Strategies:

Dynamics of rural markets differ from other market types, and similarly rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer. This, along with several other related issues, have been subject matter of intense discussions and debate in countries like India and China and focus of even international symposia organized in these countries. Rural markets and rural marketing involve a number of strategies which includes following,

- Client & location specific promotion
- Joint or cooperative promotion
- Bundling of inputs

- Management of demand
- Developmental marketing
- Unique selling proposition
- Extension services
- Business ethics
- Partnership for sustainability.

Rural Marketing Strategies Adopted by stated business houses.

1) Hindustan Uni-Lever LTD (HUL) :

Hindustan Unilever Limited (HUL) is India's largest fast-moving consumer goods company based in Mumbai, Maharashtra. It is owned by the British-Dutch company Unilever which controls 52% majority stake in HUL.

HUL was formed in 1933 as Lever Brothers India Limited and came into being in 1956 as Hindustan Lever Limited through a merger of Lever Brothers, Hindustan Vanaspati Mfg. Co. Ltd. and United Traders Ltd. It is headquartered in Mumbai, India and has an employee strength of over 16,500 employees and contributes to indirect employment of over 65,000 people. The company was renamed in June 2007 as “Hindustan Unilever Limited”. Lever Brothers started its actual operations in India in the summer of 1888, when crates full of Sunlight soap bars, embossed with the words "Made in England by Lever Brothers" were shipped to the Kolkata harbour and it began an era of marketing branded Fast Moving Consumer Goods (FMCG). Hindustan Unilever's distribution covers over 2 million retail outlets across India directly and its

products are available in over 6.4 million outlets in the country. As per Nielsen market research data, two out of three Indians use HUL products.

- For long term benefits, HUL started the project stream line in 1997
- Appointed 6000 sub stockiest that directly covers about 50000 villages and 250 million customers
- Integrate economic, environment & social objectives with business agenda
- Project Shakti, partnership with self help groups of rural women and covers 5000 villages in 52 districts in different states.

Project Shakti: started in 2001, Shakti is HUL's rural initiative which targets small village with population of less than 2000 people or less.

Micro enterprises opportunities for rural women.

Providing health and hygiene education through shaktivani program

Ishakti portal: Shakti has already been extended to about 15 states, 80000 villages in with 45000 women entrepreneurs and generating Rs 700 – 1000 per Month to each women.

2) **Hero Motocorp Ltd:**

Hero Motocorp Ltd formerly **Hero Honda** is an Indian motorcycle and scooter manufacturer based in New Delhi, India. Hero Honda started in 1984 as a joint venture between Hero Cycles of India and Honda of Japan. The company is the largest two wheeler manufacturer in India. The 2006 Forbes 200 Most Respected companies list has Hero Honda Motors ranked at 108

- There are 500 sales representatives to meet potential customers.
- Average of 16000 bikes per month.
- This representative has been given working tasks and not sales targets. They need to meet potential customers & opinion leaders in villages.
- To strengthen their network in rural areas the company started sales, servicing & spare parts outlets in small towns & villages across India.
- The most successful product is Splendor in rural market and the company kept on focusing on upgrading and models so then they later came up with splendor Plus & Splendor NXG which provided extra features and the customers are satisfied.

Collection of Data:

Under the rural vertical they started collecting a lot of data at rural touch points:

Many of the dealers are now meeting Sarpanches, Headmasters, Aanganwadi Workers, Etc

& other opinion makers to understand the rural consumer better.

The company conducts SKITS, DRAMAS to give some special message and attract the crowd & advertise its products.

3) Maruti Suzuki India Limited :

Maruti Suzuki India Limited commonly referred to as Maruti, is a subsidiary company of Japanese automaker Suzuki Motor Corporation. It has a market share of 44.9% of the Indian passenger car market as of March 2011. Maruti Suzuki offers a complete range of cars from entry level Maruti 800 and Alto, to hatchback Ritz, A-Star, Swift, Wagon-R, Estilo and sedans

DZire, SX4, in the 'C' segment Maruti Eeco and Sports Utility vehicle Grand Vitara. It was the first company in India to mass-produce and sell more than a million cars. It is largely credited for having brought in an automobile revolution to India. It is the market leader in India, and on 17 September 2007, **Maruti Udyog Limited** was renamed as **Maruti Suzuki India Limited**. The company's headquarters are located in New Delhi. In February 2012, the company sold its 10th million vehicle in India. Maruti Suzuki has introduced various innovative schemes.

- Through its Wheels of India scheme, the company targeted India's State government employees. This scheme led to the sales of more than 5000 automobiles.
- One more scheme called "Ghar Ghar Me Maruti: Mera Sapna Meri Maruti" is targeted at the customer segment consisting of village panchayat members who are highly influential and respected in rural areas and nearby towns. This scheme increased Maruti sales by 16600 units.
- Other schemes Maruti are steel wheels for steel industry employees, First class officer for Indian Railways employees and Teacher Plus schemes for teachers.
- All these schemes have yielded good results.

Challenges of Rural Marketing in India:

There are many challenges are to be tackled in rural marketing despite rapid studies in the development of the common challenges are as follows

- 1) Lack of Right Competence: While the top management commitment to understand the rural market exists, the competence necessary for interacting & comprehending rural attitudes & behavior is lacking at the lower field staff level. The lower levels that look after implementation

have exposure mostly to urban life & consumers. A deeper understanding of the rural market is needed for which people with proper exposure are required.

- 2) Partial Approach: the research findings of marketing research and advertising agencies present different pictures of rural markets.
- 3) Limited knowledge & Bias: Even after almost two decades from the time when first came into vogue understanding on rural marketing remains superficial at best. The argument which through not always articulated is after all rural people are also like urban and world have the same needs, desires and aspirations.
- 4) Transportation: Transportation is an important aspect in the process of movement of products from urban production centers to remote villages. The transportation infrastructure is extremely poor in rural India due to this reason most of the villages are not accessible to the marketing man. In our country there are 6 lakh villages nearly 50% of them are not connected by road at all. Many parts of India have only kachha roads.
- 5) Communication: Marketing communications in rural markets suffer from a variety of constraints. The literacy rate among the rural consumers is very low. In India, there are 18 recognized languages all these languages and many dialects are spoken into rural areas, English & Hindi are not understood by many people due to these problems rural consumers do not have exposure to new products
- 6) Warehousing: A storage function is necessary because production & Consumption cycles rarely match many agricultural commodities are produced seasonally were as demand for them is continuous. The storage function over comes discrepancies in desired quantities & timings in warehousing too there are special problems in the rural context. It is almost impossible to

distribute effectively in the interior outlets in the absence of adequate storage facilities. It is estimated that 60% of the villages are in the population group.

7) Literacy: In rural areas the literacy percentage is still low compared to urban areas

SWOT ANALYSIS of Rural Marketing:

STRENGTH:

- Rural consumers normally do not make brand discrimination but once induced to buy and use a product, he becomes loyal to the brand provided he is satisfied about its functional utility, such a loyal user may even make efforts to get the whole village use it.
- A survey by NCAER shows that the rural market is growing faster than the urban market in several products. These include packaged tea, detergent powder, washing soap & detergent cake. Growth in motorcycles too has been more in rural market than in urban market.
- The literacy level in rural India according to 1991 census was 41.2%, it has gone upto 59.4%in 2001.
- According to IMRB survey the rural market share is above 50% in respect of washing cakes, bathing soaps, batteries, razor blades, radios & Bicycles. While for glucose powder, tea, torch lights, premium soaps its share is 25% to50% and it is 10% to 25% in respect of milk powder, antiseptic liquids, toothpaste, hair oils, tooth powder & talcum powder, etc.

WEAKNESS

About 62% of villages have a population below 1000 and only 3% of the villages above 5000, most villages with less than 500 people do not have any shops. These characteristics point toward the complexities of distribution & logistics management.

- In rural areas banking and credit facilities are not extensive. It is estimated that for every 16 villages there is one bank. Due to lack of credit facilities retailers in rural areas cannot carry adequate stocks and which will in turn, affect consumer credit.
- There are communication problems with regard to the marketing information to the rural consumers the level of literacy among rural people is low. The low literacy and different languages pose problems in promotion and advertising of goods in rural areas.
- Adequate roads have not been developed in rural areas. Further, road conditions in rural areas are worst during rainy seasons.
- Usually rural consumers are price conscious and they purchase simple and low priced goods. Further the brand loyalty is very low in rural areas.

OPPORTUNITIES

- In rural areas almost 100% of villages Consists of Radio Transmission is while Television transmission is 87% covers the territory of the country.
- In FMCG category, half of the revenue of HUL and Colgate comes from rural market.
- It can also seen that about one-fifth of pharma sales occurs in rural india.
- In respect of high priced durables, about one fourth of the television sales happens in rural areas.

- The increased income/ purchasing power of the rural consumer and the improved income distribution have enhanced rural demand for several products. Better access to many modern products have added to this growth.
- The rural population is three times the urban population.
- The heat of competition in the urban market actually serves as the strong driver behind the growing interest of corporate in the rural market.

THREATS

- The share of unbranded products is higher in necessity items, mainly food items.
- Rural demand is more seasonal compared to urban demand.
- The pre dominance of agriculture in the income pattern is one main reason for this.
- Besides being seasonal, rural demand is somewhat irregular as well.

Conclusion:

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.

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