Chapter 1

INTRODUCTION

Everybody of us is consumer. We need a variety of goods and services right from our birth to death, because of marketing; we can have what we need. Marketing is a process through which both the buyer and seller give something (e.g. goods, services, money etc) to each other for maximum possible satisfaction. Nowadays Rural marketing is gaining importance. It is on high demand these days as number of the companies has started seeking to enter in rural areas now due to number of the reasons one of them is saturation in urban areas (Gopalswamy, 2007).

The study of consumer buying behavior deals with the attitudes and perception of consumers. It is of great use to marketers because this may influence how a product is best positioned or how we can encourage increased consumption. The knowledge of consumer behavior helps the marketer to understand how consumers think, feel and select from alternatives like products and brands. Most of the factors like cultural, social, personal and psychological are uncontrollable and beyond the hands of marketers, but they have to be considered while trying to understand the complexities of behavior\(^1\).

But because of some backward living-hood in rural areas the personal selling efforts become challenging. The word of mouth is an important message carrier in rural areas. Infect the opinion leaders are the most influencing part of promotion strategy of rural promotion efforts. The Indian established Industries have the advantages, which MNC don't enjoy in this regard. The strong Indian brands have strong market because of the consumer demand-pull and efficient and dedicated dealer network which have been created over a period of time.

The rural market has a grip of strong country shops, which affect the sale of various products in rural market. The companies are trying to trigger growth in

\(^1\) Srinivas Rao (2004), “Rural Marketing in India,” Anmol Publisher, 1\textsuperscript{st} Ed., pg 11-14
rural areas. They are identifying the fact that rural people are now in the better position with disposable income.

The low rate finance availability has also increased the affordability of purchasing the costly products by the rural people. Marketer should understand the price sensitivity of a consumer in a rural area (Jha, 2007).

India's $1.4 trillion economy is growing at near 9 percent and will have a middle class of 500 million by 2025. Today, India enjoys a youthful; rising consumer segment that increasingly demands American products and services. To succeed in this vibrant market, you need to compete not only with familiar brands, but with local stalwarts such as Marico, Dabur and Godrej. Despite the immense opportunity that India presents, few American marketers fully understand what product, price and distribution changes are necessary for success in India.

**Rural marketing**

Rural marketing is defined as the process of developing, pricing, promoting, distributing, rural-specific goods and services leading to exchange between urban and rural markets which satisfies consumer demand and also achieves organizational objectives Rural marketing amounts to dealing with various inputs, projects and services meant for the rural market. In this sense it is different from agricultural marketing which means marketing of rural products/output to the urban consumer or institutional market (Dogra, 2008).

The domain of rural marketing is significantly different from the way marketing is planned and implemented in urban areas. All the FMCG companies viz. HUL, P&G, Pepsi, Coca Cola, Britannia, Colgate Palmolive, Samsung etc. are connecting their marketing activities in rural markets because of socio-economic changes. Rural consumer has become enough aware about his needs and up gradation of his standard of living. Information Technology, Government Policies, corporate strategies and satellite communications are the factors responsible for development of Rural Marketing (Iyengar, 2007).

The positive result’s achieved by HUL’s Project “Shakti” and Colgate’s project “Jagriti” were structures according to the wants of the rural consumers. The
factors that differentiate rural marketing from urban marketing are: Infrastructure availability, Income Streams, Lifestyle, Context, Socio-cultural background, Accessibility, Media reach and habits, nature of competition and consumer behavior. Hence rural marketing is a distinct specialization of the marketing discipline which encompasses a customized application of marketing tools, tailoring the products to meet such needs and effectively delivering them to enable a profitable exchange of goods and services to and from the rural market.

**Evolution of Rural Marketing**

<table>
<thead>
<tr>
<th>PHASE</th>
<th>ORIGIN</th>
<th>FUNCTION</th>
<th>MAJOR PRODUCTS</th>
<th>SOURCE MARKET</th>
<th>DESTINATION MARKET</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Before Mid-1960 (from independence to green revolution)</td>
<td>Agricultural Marketing</td>
<td>Agricultural Produce</td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>II</td>
<td>Mid-Sixties (Green revolution to Pre-liberalization period)</td>
<td>Marketing Of Agricultural Inputs</td>
<td>Agricultural Inputs</td>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>III</td>
<td>Mid-Nineties (Post-liberalization period on 20th century)</td>
<td>Rural Marketing</td>
<td>Consumables And Durables For Consumption &amp; Production</td>
<td>Urban &amp; Rural</td>
<td>Rural</td>
</tr>
</tbody>
</table>
1. **Phase I (from Independence to Green Revolution):**
   Before the advent of the Green revolution, the nature of rural market was altogether different. Rural marketing then referred to the marketing of rural products in rural & urban products.

2. **Phase II (Green Revolution to Pre-liberalization period):**
   During these times, due to the advent & spread of the Green Revolution, rural marketing represented marketing of agriculture inputs in rural markets & marketing of rural produce in urban areas.

3. **Phase III (Post-liberalization period on 20th century):**
   The third phase of rural marketing started after the liberalization of the Indian economy. In this period, rural marketing represented the emerging, distinct activity of attracting & serving rural markets to fulfill the need & wants of rural households, peoples & their occupations.

4. **Phase IV (21st century):**
   Learning from its rural marketing experiences after the independence, the corporate world has finally realized the quick-fix solutions & piecemeal approaches will deliver only limited results in the rural markets. And, if an organization wants to tap the real potential of the rural market, it needs to make a long-term commitment with this market. Its approach & strategies must not focus in just selling products & services, but they should also aim at creating an environment for this to happen.²

The objective of rural marketing in the current phase is the improvement of the quality of life by satisfying the needs & wants of the customers, not through atand-alone products or services, but by presenting comprehensive & integrated solutions which might involve a set of inter-related products & services.

Till recently, the focus of marketers in India was the urban consumer and by large number specific efforts were made to reach the rural markets. But now it

---
is felt that with the tempo of development accelerating in rural India, coupled with increase in purchasing power, because of scientific agriculture, the changing life style and consumption pattern of villagers with increase in education, social mobility, improved means of transportations and communication and other penetrations of mass media such as television and its various satellite channels have exposed rural India to the outside world and hence their outlook to life has also changed. Because of all these factors, rural India in now attracting more and more marketers.

Increase in competition, saturated urban markets, more and move new products demanding urban customers, made the companies to think about new potential markets. Thus, Indian rural markets have caught the attention of many companies, advertisers and multinational companies. According to a recent survey conducted by the National Council for Applied Economic Research (NCAER), the purchasing power of the rural people has increased due to increase in productivity and better price commanded by the agricultural products. By and large this rise in purchasing power remains unexploited and with the growing reach of the television, it is now quite easy for the marketers to capture these markets.

Rural marketing has become the latest mantra of most corporate. Companies like Hindustan Lever, Colgate Palmolive, Britannia and even Multinational Companies (MNCs) like Pepsi, Coca Cola, L.G., Philips, Cavin Kare are all eyeing rural markets to capture the large Indian market.³

Coming to the frame work of Rural Marketing, Rural Marketing broadly involves reaching the rural customer, understanding their needs and wants, supply of goods and services to meet their requirements, carrying out after sales service that leads to customer satisfaction and repeat purchase/sales.

## Criteria for Rural-Urban Differentiation

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Rural World</th>
<th>Urban World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupation</td>
<td>Majority of people engaged in agriculture and agriculture related activities.</td>
<td>Totality of people engaged in manufacturing, mechanical pursuits, trade, commerce, professions, governing and other non-agricultural occupations.</td>
</tr>
<tr>
<td>Environment</td>
<td>Direct relationship to nature.</td>
<td>Greater isolation to nature. Predominance of man-made environment over nature.</td>
</tr>
<tr>
<td>Density of Population</td>
<td>In the same country and at the same period the density is lower than in urban community. Generally density and rural world are negatively correlated.</td>
<td>Greater density than in rural communities. Urbanity and density are positively correlated.</td>
</tr>
<tr>
<td></td>
<td>Compared with urban population, rural</td>
<td>More heterogeneous than rural communities (in the same time). Urbanity and heterogeneity are positively correlated.</td>
</tr>
<tr>
<td>------------------------</td>
<td>---------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Heterogeneity and homogeneity of the population</td>
<td>communities are more homogeneous in racial and psychological traits (negative correlation with Heterogeneity).</td>
<td></td>
</tr>
<tr>
<td>Mobility</td>
<td>Normally the migration current carries more individuals From the Country to the city.</td>
<td>Only in the periods of social catastrophe is the migration from the city to the country greater than from the country to the city.</td>
</tr>
<tr>
<td>System of Interaction</td>
<td>Fewer contacts with outside world. Simplicity in relations. Speaks through the heart</td>
<td>Impersonal casual relations, superficial Standardized formality of relations.</td>
</tr>
</tbody>
</table>

Rural Markets in India

Rural markets, as part of any economy, have untapped potential. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India, as also in several other countries, like China, is still in evolving shape, and the sector poses a variety of challenges, including understanding the dynamics of the rural markets and strategies to supply and satisfy the rural consumers (Panda, 2008).

The Indian growth story is now spreading itself to India's hinterlands. Rural India, which accounts for more than 70 per cent of the country's one billion population (according to the Census of India 2001), is not just witnessing an increase in its income but also in consumption and production. The Union Budget for 2010-11 has hiked the allocation under the National Rural Employment Guarantee Act (NREGA) to US$ 8.71 billion in 2010-11, giving a boost to the rural economy.

According to a study on the impact of the slowdown on rural markets commissioned by the Rural Marketing Association of India (RMAI) and conducted by MART, the rural economy has not been impacted by the global economic slowdown. Moreover, the rural consumer market, which grew 25 per cent in 2008 when demand in urban areas slowed due to the global recession, is expected to reach US$ 425 billion in 2010-11 with 720-790 million customers, according to a white paper prepared by CII-Technopak. That will be double the 2004-05 market size of US$ 220 billion. According to the study, the rural market is seeing a 15 per cent growth rate. Fast moving consumer goods (FMCG) sales are up 23 per cent (Murthy, 2009)

India's rural market potential

CONSUMPTION is a constantly evolving process influenced by a multiplicity of factors, of which the major ones are disposable income, level of awareness and standard of living. Different societies go through specific consumption patterns at different points of time. Mahatma Gandhi's statement that "India lives in her villages" was apt considering that over 620 million people live in the more than half a million Indian villages. It is, therefore, interesting to
assess the current situation in rural India, and analyze macro-level patterns and trends while appreciating the fact that differences do exist at the micro level. At present, rural income constitutes 56 per cent of the total income and is growing at the rate of 5.6 per cent; urban income, on the other hand, is growing by only 5.4 per cent annually. Nearly Rs 14,000 crore was invested in the development of the rural sector during the Seventh Five-Year Plan. This led to increased rural disposable income. The relatively low cost of living as compared to that in the cities has also increased the value of this income.

A recent survey by the National Council of Applied Economic Research reveals there are 33 million households in rural India with a monthly income of Rs 1,000 or more. Interestingly, there are only 25 million urban households in this bracket. Monthly rural expenditure averages at approximately Rs 175 per person on consumer goods, but as much as 25 per cent of them spend Rs 215 and more each month. This is not much less than the urban per capita average monthly consumer expenditure of approximately Rs 266.

**Exposure levels** Television has been a major cause of an explosion in awareness levels, which has complemented the rapid changes on the economic front. Access to new information and knowledge has become a part of daily life, at least among the affluent. Today nearly 75 million rural adults are exposed to television regularly and many more to radio. A significant number of them are aware of developments beyond the confines of their villages. The second major catalyst has been the increase in literacy levels and consequent migration of sizeable chunks of the population to cities and towns. Such migrants bring back on trips to their villages all the experience of urban living.

The third element that has influenced rural consumption patterns is the social change that has affected the age-old practice of investing in land. A significant number of people are choosing to invest in consumer durables rather than in land. The development of communication systems, both road and
telecommunication, has provided the necessary foundation for increased economic activity.  

This all-round spurt in economic activity, greater access to information and the development of the communication system has provided a golden opportunity for traders. On the one hand, it has led to the availability of packaged goods and, on the other; it has provided channels to make consumer durables available.

A receptive public has accepted packaged products for washing and cleaning. Television sets, cosmetics and food and beverages have also found acceptance. The increased level of transactions in these categories improved the rural market share from 28 per cent in 1985 to 37 per cent in 1989, a growth from Rs 800 crore in 1985 to an estimated Rs 5,000 crore at present.

This clearly indicates that a vast market has emerged in the rural sector, which is bigger, in size at least, than the urban sector. The core today may be confined to 9 million households, but there are another 24 million households waiting to join. While current consumption is mainly restricted to essentials in the packaged category, it won't be long before consumer durables start making inroads. The next century will certainly witness the entry of personal products in this sector. India will then truly be the world's largest consumer society.

Greater attention from marketers in every sector, intense government support, and increasing self-reliance are strengthening the rural sector in India. The fact that about 72 per cent of the Indian population resides in hinterlands brings home the point that the Indian consumer base is highly supported by the rural population; which is eventually driving revenues for many major conglomerates operating in diverse markets in India.

A report by National Sample Survey Office (NSSO) has revealed that rural households' expenditure on durable goods has increased from 3.1 per cent

---

(1987-88) to 4.8 per cent (2009-10), confirming that the expenditure on non-food items like durable goods has increased over the past few decades.

Companies across sectors such as fast moving consumer goods (FMCG), telecom, pharmaceuticals, banking, retail and even cosmetics are devising strategies to attract the rural clan. Certain sector-specific developments that took place on the Indian rural canvas are discussed hereafter.

**Retail in Rural India**

Retailers are increasingly eyeing hinterlands to give a boost to their revenue and sales. They are not only exploring new markets, but are even ready to alter their businesses and products to suit the rural population of India.

Identifying the 700 million-people-strong rural India as a 'huge opportunity', global beverages major Coca-Cola has decided to alter its business to suit the preferences of people residing in rural areas. The company would work on packaging, pricing, accessibility and availability of the products to achieve the stated target.

The Kishore Biyani-led Future Group has stated that it will launch a rural wholesale and distribution business under the 'Aadhar' brand. The company already operates a retail chain under this brand. India's largest retailer would spend up to (US$ 19.76 million) over 2011-14 to build 65 'Aadhar Wholesale' outlets across India and expects the business to generate revenues of (US$ 790.3 million) by the end of 2014.

**FMCG**

Higher disposable income in the hands of rural households along with massive advertisements by the market players, would take rural FMCG market from current (US$ 17.37 billion) to a market size of over (US$ 21 billion) by 2012, according to a study by a leading industry body. This entails a
compounded annual growth rate (CAGR) of 10 per cent in totality for rural and semi-urban areas\textsuperscript{5}.

FMCG players like HUL and ITC have already established their foothold in hinterlands. A recent study has revealed that lesser developed eastern states such as Bihar, Orissa, Chhattisgarh and Assam are leading rural sales in India. The analysis has strengthened the fact that rural markets are driving consumption of FMCG products. In these eastern states, the rural FMCG sales to the total, accounts for more than 50 per cent, whereas states like Punjab contribute 40 per cent.

**Automobiles**

Rural India has been the propeller for automobile companies, especially in the two wheeler segment. The two-wheeler market derives about 45-50 per cent of its sales from the rural market.

Hero Moto Corp has recently stated that sales (in its two-wheeler segment) from rural areas have increased from 38 per cent in 2009 to over 46 per cent currently.

Also, as part of its initiative to emancipate the poor, Hero Cycles may soon tie-up with insurance firms to provide health cover to its rural customers. The company is contemplating over the provision under which it would pay health insurance premium for the poor customers on purchase of its bicycles.

**Consumer Durables**

India's consumer durables market is anticipated to expand by 40 per cent in 2011-12, according to a study 'Rise of Consumer Durables in Rural India'.

With an intention to empower rural India with better lighting solution, Luminous Power Technologies Limited has launched light emitting diode (LED)-based Solar Lighting Solution that would be a low cost option for rural

\textsuperscript{5} Sharif Menon (2011), "International Brands & The Indian Consumer: A study of Critical Success Factors With Special Focus on Selected FMCG Brands", Vol 41, No. 9, Indian Journal of marketing
home lighting requirements. Luminous Power Technologies Limited is a provider of power backup solutions for home, commercial, telecom towers and renewable energy systems.

Internet

The total number of active internet users in rural areas is projected to rise by 98 percent to touch 24 million by December 2011 from 12.1 million in December 2010, according to a research study, titled ‘Internet in Rural India’, by Internet and Mobile Association of India (IAMAI) and IMRB International.

Rural India, along with tier-II and tier-III towns, is also catching up with the urban population in e-commerce. The fourth edition of e-bay census has revealed that women in these areas are increasingly becoming net-savvy to purchase lifestyle and electronics products online. It also stated that online trading, through eBay, in rural India has jumped up to 9 per cent of total sales in 2011 from 5 per cent in 2010.

Services

Services sector is anticipating big boost from the rural India in the years to come. For instance, a report titled 'Gateway to the defining decade' by McKinsey expects rural and semi-urban regions to generate (US$ 15.41 billion) in revenue by 2015 for the banking industry. Certain other developments relating to services in hinterlands are as under-

* HUL's management has approved an alliance with Tata Teleservices and Tata Teleservices (Maharashtra) for distribution of telecom products. The latter intends to leverage the HUL's deeply entrenched distribution network in rural markets in India.

* Similarly, drug-makers Ranbaxy Laboratories and Pfizer have tied up with ITC for distributing their over-the-counter (OTC) products across 6,500 e-Choupal centres spread across 40,000 Indian villages. e-Choupal is an ITC initiative that helps rural farmers procure agricultural and aqua-cultural products directly through the internet.
* State Bank of India (SBI) has also partnered with both HUL and ITC, to endorse financial inclusion among rural Indians.

* With an aim to strengthen its distribution network and reach out to the rural masses across India, Max Bupa Health Insurance Company Ltd is in talks with regional rural banks, co-operative banks and post offices to distribute its health insurance products. The company, majorly relying on the model of 'bancassurance', is in talks with Insurance Regulatory and Development Authority (IRDA) for the same.\(^6\)

**Rural India- Government Initiatives**

The Union Cabinet has given its nod to a scheme that would set up National Optical Fibre Network (NOFN) to provide broadband connectivity to Panchayats or village-level bodies. The project cost is being estimated at US$ 3.95 billion) and the roll-out is targeted to be completed in two years.

**Rural India – High on Employability**

Rural markets in India are not only enjoying continuous attention from the marketers, but are also giving them wide choices in terms of skilled labour and new markets which, eventually, will drive their own growth. For instance, State-run Steel Authority of India (SAIL) has decided to appoint 1,000 new dealers in rural areas to increase the market penetration of its products. The steel major would also extend attractive financial terms and incentives to promote its newly launched Rural Dealership Scheme.

Similarly, Future Group’s education and training arm – Future Learning – has formed a partnership with the Ministry of Rural Development to train young people from poor families to enhance their employment prospects in the organised retail industry.

---

\(^6\) Suneeta Kaul and Austin Lobo (2002), “Rural Thrust,” Business India, Sept 2,-15, p88
Emergence of community radio is also playing a vital part in making rural people realise their potential and get involved in their economic and educational development and avail themselves of government services. Radio Namaskar- a community radio that covers all villages within the radius of 10-15 km around the Konark sun temple in Orissa - highlights almost all developmental issues such as government schemes, school- and education-related topics, women's rights, agriculture, and so on. It was the wave of awareness created by this radio community that 120 farmers received job cards in a village block. It is expected that such ultra-modern, yet accessible, means would generate such waves effectively in the years to come.

**What makes Rural Markets Attractive?**

Rural market has following arrived and the following facts substantiate this.

- 742 million people
- Estimated annual size of the rural market
- FMCG Rs 65,000 Crore
- Durables Rs 5,000 Crore
- Agri-inputs (incl. tractors) Rs 45,000 Crore
- 2 / 4 wheelers Rs 8,000 Crore
- In 2001-02, LIC sold 55% of its policies in rural India.
- Of two million BSNL mobile connections, 50% in small towns/villages.
- Of the six lakh villages, 5.22 lakh have a Village Public Telephone (VPT)
- 41 million Kisan Credit Cards issued (against 22 million credit-plus-debit cards in urban) with cumulative credit of Rs 977 billion resulting in tremendous liquidity.
- Of 20 million Rediffmail signups, 60% are from small towns. 50% transactions from these towns on Rediff online shopping site
· Investment in formal savings instruments: 6.6 million HHs in rural and 6.7 million in urban.

Opportunities:

· Infrastructure is improving rapidly.

· In 50 years only 40% villages connected by road, in next 10 years another 30%.

· More than 90% villages electrified, though only 44% rural homes have electric connections.

· Rural telephone density has gone up by 300% in the last 10 years; every 1000+ pop is connected by STD.

· Social Indicators have improved a lot between 1981 and 2001

· Number of “pucca” houses doubled from 22% to 41% and “kuccha” houses halved (41% to 23%)

· Percentage of BPL families declined from 46% to 27%

· Rural Literacy level improved from 36% to 59%

· Low penetration rates in rural so there are many marketing opportunities.

· Marketers can make effective use of the large available infrastructure

· Post offices 1,38,000

· Proliferation of large format rural retail stores which have been successful also.

* Rural India Goes mobile: Rural India has emerged as the fastest growing segment in Mobile sector. As penetration in the urban regions has reached almost to the saturation level, mobile operators in the country are now vying rural India as their next area for growth in the near future. Further, it is expected that the subscribers’ base in these region will grow at a CAGR of
35% during 2011-12 to 2013-14. It is forecasted that sales of mobile handsets in rural India will grow at a CAGR of around 19% from 2011-12 to 2013-14. Certain trends like green telecommunication and solar-powered phones are expected to prevail in near future. With tele-density less than 26% in the rural segment this market will see advertisers chase the consumers with a vengeance. A lot of innovative campaigns can expected to market mobile phones this year.

* Ensuring Insurance: After the cities, insurance companies are moving to the countryside to grab a meaty piece of the Rs 1000 crore untapped rural market pie. After the directive from IRDA to get 18% of their policies from rural India, market leaders in the insurance space like Tata AIG, Birla Sun Life and Bajaj Allianz are looking to tap the market. The regulator has given a go-ahead to companies to tie up with NGOs, self help groups and micro finance institutions to market their products.

* Media: The advertisement spends on TV are expected to grow at around 12-14 per cent and the medium will be preferred to other media, what with satellite and cable television making deeper inroads in semi-urban and rural markets. Combining the reach of television with newer technologies like audio PA systems at bus stands and audio visual displays with the use of LCD TVs will be the most effective method of capturing the captive attention of a large rural audience. Traditional print media in India is still playing steady, and is determined to reserve the second spot after TV. The horizontal expansion of the newspapers will continue to grow in 2011 by way of additional supplements to the dailies in the form of pull-outs on finance, health, real estate, entertainment, etc. The estimated size of the India radio industry is expected to reach US$ 360 million by the end of 2014.7

* A ‘brand’ new story: The key is for brands to realize that the aspiration levels are higher in the rural segment. The new rural consumer will be more

brands conscious and also cost conscious. It will be a challenge for brands to reach out to this new age rural consumer who is brand and cost conscious.

* Internet reach: Broadband penetration will power a surge in the awareness levels of the rural consumers, making them far more aware of what they want out of the money they spend. The story of social networks’ growth will continue to be written in 2011 and for few more years to come, in the same tone that it has been over-written in the past few years. The advertisement business on social networking sites will forever involve the concept of innovation.

**Opportunity**

The above figures are a clear indication that the rural markets offer the great potential to help the India Inc which has reached the plateau of their business curve in urban India to bank upon the volume-driven growth. As a result of the growing affluence, fuelled by good monsoons and the increase in agricultural output to 200 million tonnes from 176 million tonnes in 1991, rural India has a large consuming class with 41 per cent of India’s middle-class and 58 per cent of the total disposable income. The importance of the rural market for some FMCG and durable marketers is underlined by the fact that the rural market accounts for close to 70 per cent of toilet-soap users and 38 per cent of all two-wheeler purchased.

The rural market accounts for half the total market for TV sets, fans, pressure cookers, bicycles, washing soap, blades, tea, salt and toothpowder, What is more, the rural market for FMCG products is growing much faster than the urban counterpart.8

Formulating rural marketing Strategy requires an understanding of the rural markets and the significant rural-urban differences and similarities. Rural

---

marketing philosophy should embody marketing concept and societal concept.

Relationship marketing and development marketing take precedence over transactional marketing. New approaches to marketing research and understanding consumer behavior are needed. A marketing-mix targeted to lower and middle income groups may be suitable, in case of some products. In other cases, altogether a different strategy becomes necessary. Rural marketing relies mostly on low priced, small unit packs and quality durables without frills, distribution by outlets like cooperatives, NGOs, self help groups, haats and melas and promotion through interactive media using local idiom and region-specific dialect.9

Driven by changing consumption patterns and higher disposable income, the rural consumption market is expected to expand three-fold from the current level of US$ 190 billion to US$ 600 billion by 2020.

Characteristics of Rural Markets

Rural markets have special features as compared to urban markets and the details are given below10:

1) Large number of consumers: According to the 1991 census, the rural population constitutes about 74% of the total population in our country. While the population went up from 55 crores (1971) to 85 crores (1991), the rural - urban proportion have remained more or less the same as in 1971. There are states like U.P., M.P., Bihar, Rajasthan and Orissa where rural population varies from 80 to 90 percent. Therefore a large population gives an opportunity for marketing a variety of goods and services. However income and purchasing power play a major role in determining the demand in rural areas.

10 Sanal Kumar Velayudhan, “Rural Marketing, Targeting the Non-Urban Consumer,” Response Books a division of Sage Publications, New Delhi, 2002
2) **Scattered markets**: The rural population and markets are highly scattered over a wide geographical area. It is seen that over 3 lakh villages have a population of less than 500. Hardly about 6000 villages have a population of more than 5000 each. Considering the large and scattered population, the marketers have to address two major problems i.e.

a) How do we reach the scattered market through different media and methods?

b) How do we ensure that goods and services are available at the right time and at the right place as and when wanted by the rural customer?

3) **Occupation pattern**: Agriculture and related activities continue to be the main occupation for majority of the Rural Population. Land is the major source of income for about 77% of the population. Others are engaged in business (10%), non-agriculture labor (9%) salary earners (2%) and not gainfully employed (2%). It is evident that rural prosperity depends upon growth and development of agriculture.

4) **Literacy level**: It has been estimated that the rural literacy level is 36% compared to 62% in urban areas. Literacy is one of the important factors in developing awareness and knowledge about technological changes. As many as 16 major languages are spoken adding to the complexities in rural communication.

5) **Seasonal demand**: It is seen that bulk of the income comes from agriculture and agricultural wages. Increase in yields of crops and encouraging output prices will lead to increase in income of rural people. Demand is seasonal and fluctuates in depending upon agricultural. Situation demand is more after harvest of crops, during festivals and marriage seasons.

6) **Low standard of living**: Low income, low purchasing power, overall social and economic backwardness lead to low standard of living. In general a rural consumer spends less on non-food items.
7) **Media Reach**: The media reach in rural household is low. Statistics indicate that the reach of Print media is 10%, followed by TV 31%, Radio 32% and Cinema 36%. Therefore the marketer has to consider rural specific promotion media and methods to reach the villagers.

8) **Communication facilities**: About 20% of the six lakh villages are without telephone facility even today. This includes Rajasthan (17,600 villages), MP (14,200 villages), Maharashtra (12,000 villages), Gujarat (7000 villages), and AP, Assam, Orissa about 6000 villages each.

9) **Transportation facilities**: About 50% of the markets are not connected by road. Most of the roads are kachha and become unusable during rainy season. Many farmers use bullock cart for transporting their produce from village to the market. This means of transport is time consuming.

10) **Rural Electrification**: The main objective is to provide electricity for agricultural operations and for small industries in rural areas. About 5 lakh villages (77%) have electric supply and this has increased the demand for electric motors, pumps and agricultural machinery.

11) **Medical facilities** are quite inadequate and the villagers have to travel long distances for getting medical treatment.

12) **Distance**: Village nearer to towns has elements of the urban life. Interior villages are more traditional

**The Profile of Rural Demand**

Modern cultivation practices have increased the yield of crops. Favorable trade terms for agricultural produce have led to rise in agricultural income. A higher income (tax exempted) makes a family with moderate income wealthy in relation to its urban counterpart. Low cost of living in rural areas creates a higher disposable income with rural consumer. Expansion of TV network and developments in packaging has exposed the rural population to a variety of consumer goods.

1) **Size of Rural demand**: It has been estimated that the size of the rural
market for food and non-food items including agricultural inputs is about Rs. 1,00,000 crores and the rural markets are growing at five times the rate of urban markets\textsuperscript{11}.

2) Composition of Rural demand: The composition of demand for products and services is changing in rural areas as per details given below\textsuperscript{12}:

a) Products that are well established in rural market: Examples: Bicycles, motor-cycles, agricultural inputs and machinery such as fertilizers, pesticides, seeds, tractors and farm implements, radios, non-alcoholic beverages such as coffee, tea, tobacco products, cooking utensils, bathing and washing soaps and textiles.

b) Products that have entered the rural market in recent years: Examples: Readymade garments, baby care products, packaged foodstuffs, modern consumer durables, cosmetics and toiletries

c) Products where the rural consumption is more than urban: Examples: Bicycles, mechanical watches, tailoring machines.

d) Products where rural consumption growth rate is higher than urban markets: Examples: Packaged tea, bathing and washing cake

Profile of Rural Consumer

The rural markets are scattered and also the consumers. There are barriers of religion, caste, income, language and culture. The features of rural consumers are given below \textsuperscript{13}:

1) Buying Decisions: Rural consumers are cautious in buying goods and services. They check and re-check the prices of new products. They have lot


of free time and therefore decision-making is slow and delayed.

2) **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 each group exert influence on the behaviour of the people in the village.

3) **Traditional life**: In villages, life is governed by customs and traditions. They do not adopt new practices. Even rich people do not go for branded shoes/shirts and modern cars.

4) **Traditional occupation**: They follow traditional occupation. In most cases, children of farmers continue to do farming and they follow traditional methods of cultivation.

5) **Traditional belief**: There is belief among rural people that experience is more important than education. Very often people depend on fate than any other thing. People still believe that certain diseases such as jaundice and chicken pox can be cured by mantras and tantras.

6) **Family values**: Great stress is laid on fulfillment of the family obligations and responsibilities and the family influences needs and wants of individual members. Joint families are more important in rural areas than urban areas.

7) **Rural income**: Rural income level is less than urban level. 60% of rural income is from agriculture and income from agriculture depends upon monsoon. Therefore rural income is seasonal.

8) **Festivals and Functions**: They are celebrated on a grand scale in villages. Most of the purchases may be done during festivals like Onam, Pangal, Diwali, Id, Gudi Padwa etc.

9) **Low level of education**: Due to low level of literacy, their exposure to print media and awareness and knowledge about technological changes is very low. The marketer has to make use of rural specific media and methods to reach rural population.
10) Influence of banks: Growth of commercial as well as cooperative banks have instilled saving habits in rural consumers.

RURAL MARKET ENVIRONMENT

► Untapped Potential

Rural markets offer a great potential for marketing branded goods and services for two reasons:

→ The large number of consumers. A pointer to this is the larger volume of sales of certain products in rural areas as compared to the sales of the same products in urban areas.

→ Largely untapped markets. The penetration levels for many products are low in rural areas.

► Market Size and Penetration

The estimated size of India’s rural market stated as the percentage of world population is 12.2 percent. This means 12.2 percent of the world’s consumers live in rural India. In numbers, this works out to about 120 million households. In India, the rural households form about 72 percent of the total households. This is a huge market by world standards.

Rural consumers own only 52 percent of available consumer durables, even though they form 72 percent of the total households in India. On an average, rural household own three consumer durables as compared to seven consumer durables owned by an average urban household (NCAER, 1998). The gap clearly indicates the untapped potential among the large number of rural households.

► Increasing Income and Purchasing Power

The agricultural development programs of the government have helped to increase income in the agricultural sector. These in turn have created greater purchasing power in rural markets. Households in the lower income group have reduced while there is a strong growth in the number of households in upper middle and higher income households.
Accessibility of Markets

The attraction of a market depends not only on its potential but also on its accessibility. A market that cannot be exploited is a case of "sour grapes". Development of infrastructural facilities and marketing institutions has increased the accessibility of these markets.

The road network has facilitated a systemized product distribution system to villages. In the past, companies relied on a ‘trickle down’ of stocks to the buyer in interior villages that resulted from the active participation of channel members. In this system, the village retailer made fortnightly purchase visits to a bigger retailer in the nearest tehsil (sub-division of a district) level town. The large retailer in the tehsil town procures goods from district headquarters. The district headquarters were therefore the terminal point of the company distribution channel.

Today, an increasing number of companies are supplying village markets directly. Increasing direct contacts to villages helps product promotion and availability of the product in the village shop. Marketers of durable goods use direct contacts as a means to promote and attract rural consumers to dealer points in large feeder villages or towns. Feeder villages or towns are locations from where a large number of interior villages get their products. Delivery-cum-promotion vans traversing 8 to 10 villages a day and covering haats or mandis, is the widely used method of direct control in rural areas.

Competition in Urban Markets

Intensified competition in urban markets increases costs and reduces market share. The rural markets are therefore increasingly attractive in relation to urban markets. The automobile market brings this out clearly. Rajdoot motorcycles, Bajaj scooters or Ambassador Cars find ready acceptance in rural markets as compared to urban markets where there is a proliferation of brands.

Consumer Behavior Changes

Increased literacy and greater awareness in rural markets create new demands and discriminating buyers. This is observed more in the younger
generation. In villages today, this segment of buyers consumes a large variety of products, both durables and non-durables. There is a visible increase in the consumption and use of a variety of products, which is easily observed. The younger generations appears to seek variety and are more discriminating buyers. The young adult in a village likes to sport a fashionable watch. The preferred brand of toilet soap for the youth is not necessarily Lifebuoy, the brand preferred by the elders.

**Major Factors Contributing To the Growth of Rural Markets**

A number of factors have contributed to the growth and development of rural markets and the major ones are:

1) **Favorable Government Policies**: The Government has taken the initiative for economic development of rural areas and through five year plans have invested heavily in development of agriculture, animal husbandry, irrigation, electricity, dairy, and khadi and village industries. Some of the important programmes are: a) Integrated rural development programme, b) Marginal farmers and agricultural labours development programme, c) Drought prone area programme, d) Small farmers development agency, and e) Intensive agricultural development programme. These initiatives have helped in increasing income and purchasing power of rural people. Examples: Providing irrigation facilities through canals, power supply to farms at concessional rates, financial facilities for farmers through banks for farm operations and land development, subsidies for agriculture inputs/machinery, development of poultry and dairy, development of industries like ginning and paddy processing plants and development of facilities such as hospitals, schools, banks, roads, radio, TV etc.

2) **Agricultural education and research**: Establishment of agricultural colleges and research stations has ensured availability of technical manpower and technological developments in agriculture.

3) **The Green revolution**: during late 60s and early 70s focused on increasing, the yield of crops through modern cultivation practices. Use of high yielding varieties of seeds increase in use of fertilizers and modern pest
management practices have resulted in higher yields. From a food deficit nation in mid 60s, our country became self sufficient in food production in 1971 and we are now exporting agricultural produce to other countries. There has been an increase in disposable income of rural people\(^{14}\).

4) **Private initiatives**: Private agencies have contributed to growth and development of agriculture through village level educational programmes for the benefit of farmers and supply of high yielding varieties of seeds, fertilizers, and plant protection chemicals. Companies like HUL and Colgate have carried out development activities and have been able to establish their products in rural areas.

5) **Rising aspirations** of rural people and attraction for high standard of living: The rise in income coupled with increased awareness and the need for possessing modern goods have influenced the rural marketing environment in our country.

The mobility towards higher income group has in fact been much higher in rural areas than urban. This provides tremendous opportunities for marketing modern goods and services in rural areas.

6) **Literacy level**: It has been estimated that the rural literacy level is 36% compared to 62% in urban areas. Literacy is one of the important factors in developing awareness and knowledge about technological changes. As many as 16 major languages are spoken adding to the complexities in rural communication.

7) **Higher level of education**: Literacy level as well as percentage of people opting for higher education has also increased. This has changed the consumption pattern. Example: growth in consumer durables like home computers, fridge, air conditioner etc.

8) **Growth in income**: The average income level has improved due to

modern farming practices, Industrialization of rural area, migration of rural people into cities & remittance of their money, remittance of money by family members settled abroad and higher income through contractual farming. Example: McDonald's is making handsome payments to the contractual lettuce growers.

**The Problem Areas in Rural Marketing**

Where 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 attendant problems. Rural marketing is thus a time consuming affair and requires considerable investments in terms of evolving appropriate strategies with a view to tackle the problems.

► **Underdeveloped People and Underdeveloped Markets**

The number of people below poverty line has not decreased in any appreciable manner. Thus underdeveloped people and consequently underdeveloped market by and large characterize the rural markets. Vast majorities of the rural people are tradition bound, fatalistic and believe in old customs, traditions, habits, taboos and practices.

► **Vastness and uneven spread**

The number of villages in India is more than 6 lacs. Again, the villages are not uniform in size. Nearly 50% of the villages have a population of less than 500 persons which account for 20% of the rural population. This type of distribution of population warrants appropriate strategies to decide the extend of coverage of rural market.

► **Lack of Proper Physical Communication Facilities**

Nearly fifty percent of the villages in the country do not have all weather road. Physical communication of these villages is highly expensive. Even today most villages in the eastern parts of the country are inaccessible during the monsoon. Moreover, 3,00,000 villages in the country have no access to telephones. Local telecom companies are working with the Department of
Telecommunications (DOT) to provide service in rural areas at local costs which could be a costly affair considering the underdeveloped infrastructure.

► **Low Growth Rate**

The slowdown in the economy is of serious concern to everyone in Government, industry and every other sector of the economy. Our GDP growth target for the Tenth Plan is 7.7%, rising to 8.1% in the subsequent one. Today we are at a 6% level, which is itself below the current Plan. Even more worrying is the fact that our growth rate has been trending down for the last 3 years. The sectoral components of this slowdown are very telling. Agricultural growth has dropped to 0.9% from an average of 3.9% in the 1980's and 3.3% in the 90's. Industrial growth too has slowed to below 6% from 6.6% in the last decade. We believe there is an urgent need to lift overall GDP growth sustainable by addressing a central issue - the slowdown in rural incomes.

► **Low Per Capita Income**

Even though about **33-35%** of gross domestic product is generated in the rural areas it is shared by **74%** of the population. Hence the per capita incomes are low compared to the urban areas. High costs in finance is a stumbling block while higher purchase is unheard of, the small town culture works against financing of products. The sprawling unorganized market offers prices that the organized industry finds difficult to match. Many existing product lines continue to be too expensive or irrelevant.

► **Many languages and dialects**

The number of languages and dialects vary widely from state to state, region to region and probably from district to district. Messages have to delivered in local languages and dialects. Even though the number of recognized languages is only **16**, the dialects are estimated to be around **850**.
► **Low levels of literacy**

Literacy rate is low in rural areas as compared to urban areas. This again leads to problem of communication. Print medium becomes ineffective and to an extend irrelevant in rural areas since its reach is poor.

► **Different way of thinking**

There is a vast difference in the lifestyles of the people. The rural customer usually has 2 or 3 brands to choose from whereas the urban one has many more choices. The rural customer has fairly simple thinking as compared to his urban counterpart. Life in rural areas is still governed by customs and traditions and people do not easily adopt new practices.

► **Transport**

Many rural areas are not connected by rail transport. Around 68% of the rural roads have been poorly surfaced, and many are totally destroyed or severely damaged by the monsoon and remain unserviceable leaving interior villages isolated. Though it would be desirable to connect all villages by all-weather roads, use of bullock carts is inevitable for many years.

► **Distribution problem**

Rural markets typically signify complex logistical challenges that directly translate into high distribution cost. Coupled with relatively slower growth of incremental demand and lack of adequate institutional mechanism for retail operations, margins are squeezed to the utmost. Infrastructure also poses a major problem when a marketer thinks of targeting the rural markets.

► **Market organisation and staff**

The size of the market organisation and staff is very important, to have an effective control. Comparatively, catering to rural market will involve large marketing organisation and staff. Most of the manufacturers cannot effort huge investments in terms of personnel and also keep an effective control on it.
Media for Rural Communication

Among the mass media at some point of time in the late 50’s and 60’s radio was considered to be a potential medium for communication to the rural people. Another mass media is television and cinemas it has been observed that cinema viewing habits in rural areas is very satisfactory were ever available. Again statistics indicate that the rural areas account for hardly 2000 to 3500 mobile theatres, which is far less when compared to the number of villages.

Profile of Rural Consumer

The rural markets are scattered and also the consumers. There are barriers of religion, caste, income, language and culture (Ramakrishnan, 2007). The features of rural consumers are given below

1) Buying Decisions: Rural consumers are cautious in buying goods and services. They check and re-check the prices of new products. They have lot of free time and therefore decision-making is slow and delayed.

2) 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 each group exert influence on the behavior of the people in the village.

3) Traditional life: In villages, life is governed by customs and traditions. They do not adopt new practices. Even rich people do not go for branded shoes/shirts and modern cars.

4) Traditional occupation: They follow traditional occupation. In most cases, children of farmers continue to do farming and they follow traditional methods of cultivation.

5) Traditional belief: There is belief among rural people that experience is more important than education. Very often people depend on fate than any other thing. People still believe that certain diseases such as jaundice and chicken pox can be cured by mantras and tantras.
6) **Family values**: Great stress is laid on fulfillment of the family obligations and responsibilities and the family influences needs and wants of individual members. Joint families are more important in rural areas than urban areas.

7) **Rural income**: Rural income level is less than urban level. 60% of rural income is from agriculture and income from agriculture depends upon monsoon. Therefore rural income is seasonal.

8) **Festivals and Functions**: They are celebrated on a grand scale in villages. Most of the purchases may be done during festivals like Onam, Pangal, Diwali, Id, Gudi Padwa etc.

9) **Low level of education**: Due to low level of literacy, their exposure to print media and awareness and knowledge about technological changes is very low. The marketer has to make use of rural specific media and methods to reach rural population.

10) **Influence of banks**: Growth of commercial as well as cooperative banks have instilled saving habits in rural consumers.

**Types of Rural Market**

Various companies and organization, dissect rural market as per the nature and the sector of the business they are in. Broadly, for convenience of administration, rural market could be classified as –

- Weekly bazaars/ Haats
- Occasional markets like melas (pushkarmela etc)
- Rural Conventional Markets
- Mandies/ A.P.M.C for Agro products
- Specific Regional Markets
- Door to door market (ferry)

Go rural’ is the slogan of marketing gurus after analyzing the socio-economic changes in villages. 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 agri-input products such as seeds, fertilizers, pesticides and farm machinery. The Indian rural market today accounts for only about Rs 8 billion of the total ad pie of Rs 120 billion, thus claiming 6.6 per cent of the total share. So clearly there seems to be a long way ahead. Although a lot is spoken about the immense potential of the unexplored rural market, advertisers and companies find it easier to vie for a share of the already divided urban pie.

The success of a brand in the Indian rural market is as unpredictable as rain. It has always been difficult to gauge the rural market. Many brands, which should have been successful, have failed miserably. More often than not, people attribute rural market success to luck. Therefore, marketers need to understand the social dynamics and attitude variations within each village though nationally it follows a consistent pattern 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.

What rural market buys?

Rural India buys small packs, as they are perceived as value for money. There is brand stickiness, where a consumer buys a brand out of habit and not really by choice. Brands rarely fight for market share; they just have to be visible in the right place. Even expensive brands, such as Close-Up, Marie biscuits and Clinic shampoo are doing well because of deep distribution, many brands are doing well without much advertising support — Ghadi, a big detergent brand in North India, is an example.
Why Rural Market?

The Indian rural market has a huge demand base and offers great opportunities to marketers. Two-thirds of Indian consumers live in rural areas and almost half of the national income is generated here. The reasons for heading into the rural areas are fairly clear. The urban consumer durable market for products like colour TVs, washing machines, refrigerators and air conditioners is growing annually at between 7 per cent and 10 per cent. The rural market is zooming ahead at around 25 per cent annually.

Reasons for improvement of business in rural area

- Socio-economic changes (lifestyle, habits and tastes, economic status)
- Literacy level (25% before independence – more than 65% in 2001)
- Infrastructure facilities (roads, electricity, media)
- Increase in income
- Increase in expectations

MART, the specialist rural marketing and rural development consultancy has found that 53 per cent of FMCG sales lie in the rural areas, as do 59 per cent of consumer durable sales, said its head Pradeep Kashyap at the seminar. Of two million BSNL mobile connections, 50 per cent went to small towns and villages, of 20 million Rediffmail subscriptions, 60 per cent came from small towns, so did half the transactions on Rediff's shopping site.

Special features of rural market

Unlike urban markets, rural markets are difficult to predict and possess special characteristics. The featured population is predominantly illiterate, have low income, characterized by irregular income, lack of monthly income and flow of income fluctuating with the monsoon winds.

Rural markets face the critical issues of Distribution, Understanding the rural consumer, Communication and Poor infrastructure. The marketer has to strengthen the distribution and pricing strategies. The rural consumer expects
value for money and owing to has unsteady and meager status of weekly income; increasing the household income and improving distribution are the viable strategies that have to be adapted to tap the immense potential of the market.

Media reach is a strong reason for the penetration of goods like cosmetics, mobile phones, etc., which are only used by the urban people. Increasing awareness and knowledge on different products and brands accelerate the demand. The rural audience are however critical of glamorous ads on TV, and depend on the opinion leaders who introduce the product by using it and recommending it.

Opinion leaders play a key role in popularizing products and influence in rural market. Nowadays educated youth of rural also influences the rural consumers. Rural consumers are influenced by the life style they watch on television sets. Their less exposure to outside world makes them innocent and fascinated to novelties. The reach of mass television media, especially television has influenced the buying behaviour greatly.

**Factors affecting rural market:-**

Following factors affect rural market and hence rural economy.

**a) Capacity to spend**

Capacity to spend is considered to be function of opportunity to earn back the money after spending it. With such limited opportunities, the rural consumer spends the money very wisely. Spending is done on the most wanted items and services only.

**b) Irregular income pattern.**

Since income is heavily dependent on agriculture and agriculture further depending on monsoon climate, there is no consistency in time of getting the
income. The rural population have low income, irregular income, lack of monthly income and flow of income fluctuating with monsoon winds.

c) Prevalence of risk in income generation.

With huge population of rural economy depending on agriculture for income and agriculture further depending on external factors like weather, insects/pests, sale price of produce, etc., rural consumer is always associated with the risk of failure. Failure of agriculture produce leads to heavy consequences. E.g. – Farmers of vidarbha region are heavily under pressure of loan repayment. Most of them have gone to the extent of committing suicide.

d) Informal credit / borrowing

Since ages, money lenders have been exploiting the villagers. Though MFIs (Micro finance institutions) are playing an active role by extending micro credits, this channel of informal money lenders still exists. In case of failure to repay the loan by farmer, a credit of thousand rupees extended is settled against their lands worth lakhs and crores.

e) Traditional values and beliefs.

This is one of the biggest hurdles for rural development. At times, the values and beliefs in these superstitions are so strong that it is not possible to upgrade a village with a product or a service.

4A’s Model of Rural Marketing

1. Availability

The first strategy is to be available in the rural market. However, this is easy said than done. India’s 627,000 villages are spread over 3.2 million sq km; 700 million Indians may live in rural areas. Finding them is big task in itself. However, given the poor state of roads, it is an even greater challenge to regularly reach products to the far-flung villages. For building the critical mass,
every effort must be taken to at least tap 13,113 villages with a population of more than 5000. At least the feeder towns (towns from where supplies and purchases are made for other smaller towns and villages) should be covered for width and depth of distribution. The companies with relatively fewer resources can go in for syndicated distribution where a tie-up between non-competitive marketers can be established to facilitate distribution.

Around 8000 rural melas are held in rural India every year. Weekly bazaar haats 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" or Agri-markets) where people prefer to go to buy their durable commodities. These towns are the feeder towns. These towns provide the opportunity to bring your product in reach of multiple villages.

2. Affordability

The second strategy is to ensure affordability of the product or service. Small packs and miniatures is the solution. This is required keeping in mind the occasion, frequency and quantity of purchase. This takes care of sales given the fact of low disposable and inconsistent income of villagers. HUL, P&G, Godrej Consumer products ltd have been getting almost 50% of their volume from rural markets via sale of low priced shelf keeping units.

3. Acceptability

The third strategy is to gain acceptability for the product or service. This calls for customization of product and service for rural India. ‘One size fits all’ is the concept which no longer exists. Therefore, there is a need to offer products that suit the rural market. Intel has developed special computers with low configuration and working on batteries so as to answer the power failure
issues. ‘Sampoorna’ TV by LG is another such efforts. An ice box provided by Coca-Cola and thermocol boxes for seasonal outlets is another such effort.\textsuperscript{15}

4. Awareness

The fourth strategy is making the product and service aware amongst the rural dwellers. Mass media is not the only solution for this. Direct marketing is most trusted channel. Rural marketing involves more intensive personal selling efforts compared to urban marketing. However, given the scale requirements, various Medias like melas, weekly haats are tapped to promote via sales promotion. Opinion leaders from village are the next best channel to promote brands. KOLs using the brand and them recommending the product add to the credibility of product service.

Consumer Space in Rural Markets

The rural urban divide is getting blurred with the faster economic growth and rising awareness of consumer goods because of TV Exposure. So, the companies are now shifting their focus from the saturated urban market to the untapped potential rural market. The chief reason behind this is the increase in the disposable income of individual in rural areas.\textsuperscript{16}

Reasons

Two thirds of the country’s 1200 million consumers live in rural India, where almost half of the national income is generated. A survey by Techno pack Consultant and Confederation of Indian Industries estimates that the country’s rural consumer market generated $425 billion of revenue, up from previous year. The big reason for the growth is India’s rural consumers increasing spending power.


\textsuperscript{16} Business and Management Chronicle, 2011, Consumer Space in rural Markets, Vol. 15, No. 5, pg.36
The rural consumer today has more money in their pockets due to rising commodity prices, employment generation schemes and sops announced by the Government. For example: the allocation for national Rural Employment Guarantee Act (NREGA- A job guarantee that ensures one hundred days employment in every financial year) in the Union Budget increased from Rs. 113 billion in FY 2007 to Rs. 410 billion in FY 2011. The social sector is pegged at Rs. 1,380 billion which experts believe would boost rural disposable income hence rural demand.

It is reported that the sales of FMCG companies in the rural market have grown from a mere one percent in 2005 to 18 percent in 2009, while on the other hand sales of FMCG companies in urban markets have fallen from around nine percent in 2005 to 11 percent in 2009. Thus pace of growth has become one of the compelling reasons for these companies in the consumer space to look at the rural market with renewed vigor and enthusiasm.

**Tapping the Rural Market**

Many companies having marketing expertise are focusing on rural markets as there are opportunities to market brands, various different products and services as rural markets are lucrative than urban areas.17

- Rural markets are **growing faster** and form the target group for various consumer goods.

- Intensive competition in urban markets has resulted in **increase in costs** but not high market share and profits.

- Traditionally farmers have treated agriculture as a way of living and they produce just enough quantities to meet their family requirements. Many progressive farmers have increased the yields of crops by following modern agricultural practices. Even small farmers will be encouraged to increase production.

---

• Increase in rural income and savings has led to greenhouse cultivation of flowers and vegetables, mushroom cultivation, development of industries such as cotton ginning and spinning mills, paddy processing units etc.

• Diversification of Agriculture, development of village level industries and marketing of modern goods and services, provide employment opportunities.

• With a very large consumer base rural markets have tremendous potential.

• The rural markets are highly scattered over a wide geographical area and therefore that marketers have huge potential markets for promoting products and services.

• The village retailer is the link between the rural consumer and manufacturer. He plays a major role in introducing new products in rural markets.

**Strategies Adopted by companies to tap Rural Markets**

The recent thrust of marketers into rural market is triggered by the saturated urban market and the huge rural potential which is reflected in growing demand, has created uproar in this market *(Kumar and Bishnoi, 2007)*. The rural India has been witnessing a sea change in all sphere of life, be it enhance standard of living or adoption of new lifestyle.

The entire credit goes to the revolution in technology and media as the private satellite channels have brought the world to the courtyards of many village houses *(Sakkthivel and Mishra, 2005)*.

The concept of rural market in India is still evolving and poses numerous challenges like understanding rural consumers, reaching products and services to remote locations, and communicating with heterogeneous rural audience *(Kashyap, 2003)*. The unique consumption pattern, tastes, different rural geographies and vast sub-cultural differences display numerous
heterogeneity, calling for better understanding and pin-pointed strategies.

**Products for Rural Markets**

Maruti Suzuki, India’s leading automobile manufacturer, today sells 5% of its vehicles in the rural markets. The company expects this number to rise to 15% in the next two years. "This is not just our wish, but reflects market demand," says director (marketing & sales) Shuji Oishi.

In telecom, service providers are making a beeline for the villages. That’s where the growth in what is now the world’s fastest growing mobile market lies. According to industry estimates, 70% of all new subscribers will come from rural areas. (See NTT DoCoMo's Tata Deal: Why Global Telecom Firms Want to Dial India.)

Mobile device manufacturers are also tailoring their products to this market. Nokia had earlier launched a basic handset with a torch (large parts of rural India don't have electricity) and an alarm clock. (see How Did Nokia Succeed in the Indian Mobile Market, While Its Rivals Got Hung Up?) In December 2008, it went one step further with the launch of Nokia Life Tools. "Nokia Life Tools is a range of agriculture, education and entertainment services designed especially for the consumers in small towns and rural areas of emerging markets," says the company. "Aimed at providing timely and relevant information customized to the user’s location and personal preferences directly on their mobile devices, Nokia Life Tools are the first step towards bridging the digital divide."

The mobile phone is a new-age product; gold jewelry is as old as the hills. Here, too, there has been a rural move. According to World Gold Council figures, 60% of India’s US$15 billion annual consumption of gold and gold jewelry is from rural and semi-urban areas. The Tatas have launched a mass-market jewelry brand -- GoldPlus. The Tatas train unemployed youth and send them to the villages as brand ambassadors. The problem with gold in

---

18 Why Companies See Bright Prospects in Rural India Published: June 18, 2009 in India Knowledge@Wharton, [http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4386](http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4386)
India is that it is often adulterated. In rural areas, gold jewelry is not for ornamentation; it is a safety net for emergency situations. Thus, the Tata seal of good housekeeping is taking the brand places."

The Chik shampoo sachets sells for 2 cents, the Parle G Tikki biscuit packs at 4 cents and the Coca-Cola 200 ml glass bottle for 10 cents.

The urban man wants a car as does the rural man. Both have the same amount of money. The rural person, however, believes spending US$12,000 on a car is a sin. He wants it at US$3,000. The Nano is a solution. Every category needs to operate on the Nano paradigm. The needs are all the same, across rural and urban. The solutions have to be different.

Distribution and promotional channels also need to be different for rural markets. Companies are getting their act together here, too. Private sector companies like ITC have set up the IT-enabled eChoupal network, and Hindustan Unilever has project Shakti, under which women's self-help groups act as the last link of the retail chain. (See Marketing to Rural India: Making the Ends Meet.) As mentioned earlier, India Post wants to convert itself into a retail chain for a variety of products. Even fair-price shops, which form part of the government's rationing system, are trying to expand beyond supplying just basic foods like rice and wheat.

In the area of promotion, television has invaded rural India. TV reaches even very small villages through community sets. But advertising on national channels is wasteful if you are trying to target rural areas.

**Marketing in Rural India**

Increase in purchasing power of rural masses in recent past has fuelled lot of interest in rural India. Hitherto considered a market only for low end products, today companies are seeing rural market as the new growth avenue. Comprising more than 70 per cent of the total consumers in India and annual market potential in excess of Rs 1230 bn, rural India is being charmed by novel ways and means. According to a survey conducted by Mckinsey in 2008, rural India with a population of 630 million (approximately) would
become bigger than total consumer market in countries such as South Korea or Canada in another 20 years and it will grow at least four times from its existing size.\textsuperscript{19}

70\% of India’s population lives in 627000 villages in rural areas. As per the National Council for Applied Economic Research (NCAER) study, there area as many ‘middle income and above’ households in the rural areas as there are in the urban areas. At the highest income level there are 2.3 million urban households as against 1.6 million households in rural areas. According to NCAER projections, the number of middle & high income households in rural India is expected to grow 80 million to 111 million by 2007. However, myths abound. India’s rural markets are often misunderstood. A clear distinction needs to be made with regard to the reality versus the image of rural India. If such a distinction is not made, we will be unable to distinguish between the serpent and the rope.

**Need of the Study**

The vastness of the rural market poses both challenges and an opportunity to the marketers. The desire to improve the living standards is felt as keenly in the rural areas as in the urban areas. Rural incomes are rising and the poverty ratio is falling. With the increase in real income of rural people a shift has been found to have taken place in the items consumed by the rural consumers. Today most of the consumers from rural areas are developing a brand familiarity with brand names. The growth in rural income has been better than urban income since the minimum support price for crops like wheat and paddy has been substantially hiked. Even prices of pulses, rice, oilseeds and milk have increased dramatically over the last one year. The disposable income with the farmer is higher now. The FMCG growth in Punjab is at 25 per cent in the April-June quarter (over the corresponding period last year) is higher than earlier years. Hence this study will help the marketers to develop marketing strategies by taking into account the attitudes and social psychological characteristics of the rural

\textsuperscript{19} Marketing in Rural India chillibreeze writer — Vivek Kumar Kaushik

http://www.chillibreeze.com/articles/various/rural-marketing.asp)
population in Punjab and will help the marketers to bring in transformation of rural areas by making them also aware about the branded products.

The products like soaps, shampoos, cosmetics and hair oil were selected for the study as these are very common products and if rural consumers would be aware about them, then more branded FMCG products can be launched in the rural markets. This study will also help the marketers to develop the strategies for rural Punjab as all the three progressive districts were selected for the research.

**Objectives of study:**

1. To study the consumption pattern of the rural consumers regarding FMCG products.
2. To find out the brand awareness of rural consumers regarding FMCG products.
3. To know the various factors influencing the purchase behavior of rural consumers regarding FMCG products.
4. To understand the preferences and attitudes of rural consumers for FMCG products.
5. To study the level of satisfaction in purchase of various FMCG products.

**Chapterisation or organisation of dissertation**

Chapter 2: FMCG Industry in India: This chapter describes the Indian FMCG sectors and rural FMCG sector in India.

Chapter 3: Review of Literature: This section discusses the published information regarding rural consumers and their buying behavior patterns

Chapter 4: Data Analysis and Interpretation: This chapter analyses the collected data keeping in view the various subjective of research study.

Chapter 5: Results and Findings: This section discuses about the various findings of different branded FMCG products like hair oil, cosmetics, toiletries and perfumes

Chapter 6: Recommendations: This section includes certain recommendations and discusses about the potential of rural markets of Punjab.

Chapter 7: Conclusion: This chapter shows the new facts related to rural market and rural consumers of Punjab.