CHAPTER II

CONCEPT, NATURE AND GROWTH OF RURAL MARKETS

"Go rural" is the mantra of all marketing Gurus"
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“Go rural” is the mantra of all marketing Gurus”

2.1 Introduction:

Liberalization of Indian economy in 1990 had for reaching consequences;

Many reputed MNCs entered India, with their popular brands. In the beginning, their concentration was on urban marketers. But with tough competition among domestic and other companies, urban markets got saturated. Profits started dwindling. This forced the companies to look for greener pasture called “rural markets”.

India is a Vast Country with 1027 million people, out of which 72.22% living in 6,38,000 villages. This segment which is commonly referred as “Bottom of the Pyramid”, presents a huge opportunity to marketers. Rural markets in India brings larger revenues to companies, as the rural regions comprise of more consumers. Almost half of the income is generated by rural markets. Though this rural population far overweighs the nation’s urban population, till a decade also companies rarely attempted to tap these vast rural markets.

Rural India in fact, accounts for about 41% of country’s growing middle class and 58% of country’s disposable income. The number of middle income households in rural India is about 27 million while in urban India, it is little higher than 29 million. This speaks about the potentiality of the rural markets. Not only income, even expenditure
pattern of rural people is almost same as urban consumers. Following table depicts the population distribution and rural urban consumption pattern in India.

Table 2.1
India – Population distribution

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Population</th>
<th>Population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>74,16,60,293</td>
<td>72.22</td>
</tr>
<tr>
<td>Urban</td>
<td>28,53,54,954</td>
<td>27.78</td>
</tr>
<tr>
<td>Total</td>
<td>1,02,70,15,247</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: census – 2001

Figure 2.1 India – Population distribution
Table 2.2
Comparison of rural urban consumption pattern

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rural India</th>
<th>Urban India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel and lighting</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Clothing (including bedding and footwear)</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Medical Care</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Sugar, Salt and spices</td>
<td>5%</td>
<td>3%</td>
</tr>
<tr>
<td>Education</td>
<td>3%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: NCAER.

Above table depicts that rural consumption is more than urban consumption.

Figure 2.2 Comparison of rural urban consumption pattern
2.2 'Rural' definition:
Rural is defined by various organizations in different ways.

2.2.1. According to censes of India – 2001, the definition of urban area is as follows:

- All statutory places with a municipality, corporation, cantonment, board or notified town area committee etc.,
- A place satisfying the following 3 criteria simultaneously;
  - i. a minimum population of 5000,
  - ii. at least 75% of male working population engaged in non-agriculture pursuits,
  - iii. the density of population of at least 400 per Sq.Km (100 per Sq. Mile)

All areas that do not fall under the urban definition are considered to be rural.

Going by this definition India is home to more than 60,000 villages spread over a span of 3.2 million Sq. Km. Most of these villages are widely scattered without proper infrastructure. There are only over 13,000 villages with a population that exceeds 500 persons. This highly heterogeneous market is composed of 23 languages, regions with varying features and socio-cultural backgrounds.

2.2.2. According to Reserve Bank of India.

Any location with population up to 10,000 is considered as rural and between 10,000 to 1 lakh population is considered semi urban and Town/cities with population above 1 lakh are considered as urban.6
2.2.3. **According to NABARD:**

All locations irrespective of villages or towns, up to a population of 10,000 is considered as ‘Rural’.

2.2.4. **According to Planning commission:**

Villages/Towns with population up to 15,000 are considered as rural.

2.2.5 **For FMCG companies:**

In general many FMCG companies consider places between 5000 – 20,000 population as rural.

2.2.6. **For consumer Durable:**

In general, consumer durable companies consider places having population between 20,000 to 50,000 as rural markets.

Marketers take into consideration all parameters relevant to their product categories to define rural. What is rural to Hindustan Lever may not necessarily be rural to LG electronics or Mahindra.

2.3 **Rural Marketing: 2 way process:**

Rural marketing is a 2 way marketing process which encompasses the performing of business activities that direct the flow of goods from urban to rural areas and vice versa. Rural marketing has also been defined as “The process of developing, pricing, promoting, distributing rural specific goods and services leading to exchange between urban and rural markets.
Hence, rural marketing is a distinct specialized field of marketing. Requires customized application of the marketing tools and techniques (strategies) to understand the psyche of the rural consumer in terms of needs, tailoring the products to meet such needs to enable profitable exchange of goods and services to and from rural markets. Rural market as it exists today is the result of evolution over many decades. The role of rural marketing is of more ‘developmental’ in nature than transactional\(^9\). It should be a process of delivering better standard of living and quality of life to the rural environment.

Rural marketing is 2 fold. Selling of agriculture and allied produce to urban markets and consumables and consumer durables from urban sold to rural markets. Following table shows the scope of rural marketing.

### Table 2.3

**Rural marketing scope: Flow of goods and services**

<table>
<thead>
<tr>
<th>From /To</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
</table>
| Urban    | 1. Consumables and durables of Agricultural inputs  
2. Consumables  
3. Consumer durables | Not concerned |
| Rural    | 1. Rural marketing, services and products | 1. Agricultural and allied production  
2. Rural artisans and rural industry products |
Companies like ITC thro e-choupal are fulfilling the 2 way transactions with rural customers and have joined a strong foothold in rural markets.

2.4 History and Growth of rural markets:

Before studying the evolution of rural markets, we need to differentiate between needs and wants. While rural markets began with exchange of needs in weekly shandy and melas, urban markets got organized, to create 'wants;' and supply goods.

The term 'rural marketing' which was earlier used as an umbrella term to refer commercial transactions (both buying and selling) to rural people, now got a separate meaning with great significance after 1990s now The term 'rural markets' refers to selling in rural areas.

The growth of rural marketing can be identified thro 4 phases.

2.4.1 Phase I (before 1990s)

During this phase, rural marketing referred to marketing of rural products in rural and urban areas, i.e., selling of agricultural products. The scope for term mechanization equipment VIZ Tractors, pump sets etc., and agricultural inputs VIZ fertilizers, pesticides was very limited.

2.4.2 Phase II (1960-90)

During this phase, green revolution changed the face of rural India. Farmers started using scientific farming practices, with agri
inputs and implements. As a result, with exponential growth of agricultural production, villages became cash rich.

During this phase, it was mainly ‘agricultural marketing’ i.e., marketing of agricultural inputs. On one side, this period saw the emergence of companies such as Mahindra and Mahindra, escorts, IFFCO & Sriram fertilizers. On the other side, Agencies like KVIC (Khadi and Village Industries Commission), weaver societies, handicraft emporiums emerged to market rural products like handicrafts, leather products, handloom textiles etc.,

2.4.3 Phase III (1990-2005)

Till 1990, marketing of consumables and consumer durables into rural markets was not considered seriously, because potential of rural markets was not visible to companies. Growth of urban markets till 1990 kept the manufacturers busy.

By 1990, India’s industrial sector gained maturity. A new service sector emerged signifying the transformation of agrisociety into industrial one. At the same time, increased plan outlay of central and state Governments for rural development and local governance witnessed socio-economic progress\textsuperscript{11}. Improved facilities viz electricity, roads, telecom services, transport, communication (TV & Radio) made the companies to divert their attention to rural markets. Particularly FMCG and consumer durable companies more focused & strategised their activities towards rural markets, to fulfill the needs and wants of persons, households and occupation of rural people.
2.4.4 Phase IV (From 2005- to date)

This can be called as “Developmental marketing” phase, where all products and services are focused on rural markets. Specialized promotions and strategies adopted for rural markets VIZ HUL’S ‘Shakthi’, ITC’s ‘E-chouple’, TARA Haat, Haryali stores, Amaron Battery’s ‘Amargaon Campaign’ etc.,
### Growth of Rural Markets

Growth of rural markets in 4 phases is depicted in the following table:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I (Upto 1960)</td>
<td>From Independence to Green Revolution</td>
<td>Agricultural marketing</td>
<td>Agricultural produce</td>
<td>Rural</td>
<td>Rural</td>
<td>Rural</td>
<td>Rural</td>
<td></td>
</tr>
<tr>
<td>II (1960-90)</td>
<td>Green Revolution to pre-liberalization period</td>
<td>Marketing of agri-inputs</td>
<td>Agricultural inputs</td>
<td>Urban</td>
<td>Urban</td>
<td>Urban</td>
<td>Urban</td>
<td></td>
</tr>
<tr>
<td>III (1990-2005)</td>
<td>Post-liberalization period</td>
<td>Rural marketing</td>
<td>Consumables and durables for consumption and production</td>
<td>Urban and Rural</td>
<td>Urban and Rural</td>
<td>Urban and Rural</td>
<td>Urban and Rural</td>
<td></td>
</tr>
<tr>
<td>IV from 2001 (present)</td>
<td></td>
<td>Developmental marketing</td>
<td>All products and services</td>
<td>Urban and Rural</td>
<td>Urban and Rural</td>
<td>Urban and Rural</td>
<td>Urban and Rural</td>
<td></td>
</tr>
</tbody>
</table>
Delivering a better standard of living and enhancing the quality of life will be the new role of rural marketing in 21st century. Rural sales person not only a salesman of product/service, he should be the carrier of development message to rural population.

2.5 Rural market Potential: FMCG Goods:

Demand in India’s urban marketing may be dwindling, but the rural market is increasingly becoming attractive for manufacturers of consumer products, automobiles and services. Companies in the fast moving consumer goods sector, have recorded a higher growth in rural market, which has contributed substantially to their bottom line, through rising rural incomes, healthy agricultural growth, acceleration in demand, rising consumerism across the country, better penetration of FMCG products in rural markets are contributing to high growth and rapid expansion of FMCG industry in India12.

The Indian FMCG industry began to shape during the last 5 decades. This section touches every requirement of human life. Indian FMCG market has been divided between organized and unorganized sector. Unlike the US market for FMCG which is dominated by handful of global players, India’s 460 billion FMCG market remains highly fragmented with approximately half the market is covered by unbranded, unpackaged homemade products13. This presents a tremendous opportunity for the manufacturers of branded products. In India, 70% sales of FMCG goods is made to middle class households and out of it, over 50% is rural areas. Looking at the lucrative and attractive rural markets, marketers have shifted their focus to rural markets. Mart, the specialist in rural marketing and rural development
consultancy, has found that 53% of FMCG sales and 59% of consumer
durable sales comes from rural area\textsuperscript{14}.

The purchasing power in rural India is on steady rise and has
resulted in the growth of the rural markets. The market has been
growing at 3-4\% per annum, adding more than one million new
customers every year. The growth rate of many FMCGs are higher in
rural markets than urban. In product categories like toilet soaps, talcum
powder, cooking oil, heir oil etc., the share of the rural market is more
than 50\% of the turnover of the companies\textsuperscript{15}. what is required to be
done is: catalyse penetration, increase usage and upgrade consumers\textsuperscript{16}.
Focus should not be only on volume growth but on value growth; as
rural consumers believe in ‘value for money’.\textsuperscript{17}

Customers in India can be divided in to 3 broad groups in terms
of geography and sociological characters as “urban, rural and urban”
(Jha, 2003). This new group or urban overlap between urban and rural,
with the pretension of being closer to urban is physical terms, but has
deep rural sociological thinking. There are very few FMCG companies
in India, who understand the rural market well to invest large amounts,
develop special strategies in terms of product, price and reach and they
are successful. ITC is experimenting with its ‘E-choupal’ as a
procurement and marking channel to expand its presence in rural
India\textsuperscript{18}, while HLL has a similar initiative thro ‘Project Shakthi’. Godrej consumer products introduced smaller pack sizes of its soaps
especially for rural markets.
Though such great market potential exists, companies are unable to utilise the opportunity fully to explore rural markets, because of ‘myths’ around rural markets.

2.6 Myths about rural markets:
1) “Rural people do not buy brands”. [But the fact is that 70% of sales for branded FMCG products are from rural markets.
2) “Rural customers buy cheap products”. [But in reality, they look for value for money.
3) “Rural market is homogeneous mass”. [In fact it is interestingly heterogeneous.
4) “Rural customer is unaware of brands”. [But because of the reach ability of TV and Radio, they are more aware of brands.
5) “Rural consumers buy what we sell them”. [But the brand awareness and loyalty are quite strong in FMCG segment. Companies should not take rural consumer for granted. Companies have to innovate and make their products appealing to customers.

2.7 The motivating factors:
2.7.1 Rural marketing involves addressing around 700 million potential consumers, over 42% of Indian middle class and about half of the countries disposable income. About 285 million reside in urban India as compared to 742 million in rural India. (census 2001)

2.7.2 Marketers can make effective use of the large available infrastructure: 19
Post officer – 138000
Haats (Periodic markets) – 42000
Melas – 25000
Mandis (agri markets) – 7000
Public distribution shops – 380000
Bank Branches – 32000

2.7.3 Proliferation of large format rural retail stores which have been successful are:

- DSCL Haryali stores
- MXM Shubhlabh stores
- TATA/ Rallis Kissan Kendras
- Escorts rural stores

2.7.4 Because of prosperity in agri sector, rural people have more disposable income on hand than urban people. This creates an opportunity for marketers to explore these rural markets.

2.8 Growth of rural markets – Karnataka & Mysore district

As per the census of India report – 2001, the population of Karnataka is – 5,28,50,562, population of Mysore district: total population comprises of 26,41,027, out of which males are 13,44,670 and female population in 12,96,357. There are 5628 Grampanchayats in Karnataka out of which 235 are in Mysore district. Mysore district comprises of 7 taluks, 33 hoblies and 1216 villages.

Mysore is well known all over the world for its palaces and Dasara festivities. Mysore district enjoys natural, scenic environment. The Geographical area is 6854 Sq. Kms. Literacy rate in the district is 63.5% out of this, literacy rate in rural Mysore is 51.84%. Mysore being the centre of education. There are many colleges, schools and
education centers in urban and rural places of Mysore district. There are 590 high schools, 170 PU colleges, 17 degree colleges (Govt.) in the district. There are 6153 Sthree Shakthi groups in the districts; which is the focal point for all FMCG companies. Mysore district is such a prosperous district with more natural and financial resources.

Till 1990, focus was not there on rural markets. All FMCG manufactures used to distribute their products to a dealer/wholesaler in Mysore. From there, retailers from taluk level used to come to Mysore and buy the goods for selling in their places. There were no specific marketing strategies or plans drawn for rural markets. Between 1990 & 2000, scenario started changing. Looking at the prospects and requirement of small towns and villages, companies started appointing sub-dealers in few Taluks viz Hunsur K.R. Nagar, Nanjangud. From there, selling to villages was easier. Some wholesalers is Mysore started operating vans to Hoblis to sell FMCG products.

After 2000, entire country's focus turned towards rural markets and so in Mysore district too. Sub dealers were appointed at all taluks and systamatised distribution plans were strategized by companies thro dealers. With all such wide spread marketing strategies, researcher wanted to find, whether FMCG companies are able to cover rural markets in depth and what special efforts are made to lure rural consumer.

2.8.1 The FMCG Goods:

Fast moving consumer goods (FMCG) also known as consumer packaged goods (CPG) are the products with quick turnover and relatively low cost. FMCG products are sold in high numbers, hence
profit scales with the number of goods sold. Rural marketing has become the major mantra of most FMCG majors. Extensive competition in rural markets is not only from MNCs but also from regional players. Lure of untapped market has driven the marketers to chalk out new strategies for rural markets. The winning strategies is to focus on the core competency such as designing specific products for rural economy. Best example is the launch of 'Sachets' which has transformed the rural markets, as smaller and lesser priced packs increase products affordability.

2.8.2 Survey: The focal Point

In order to find the brand awareness, consumer perception and decision making process, researcher selected 1000 respondents from 100 villages, covering all 7 taluks of Mysore district. Respondents were selected randomly from different age groups, income groups and different education qualifications. Idea behind is to get unbiased opinion from different groups of rural consumers.
Following tables depict the distribution of samples (respondents) taluk wise:

Table 2.5

Gender distribution of Respondents

<table>
<thead>
<tr>
<th>Taluks</th>
<th>Sample size</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nos.</td>
<td>%</td>
<td>Nos.</td>
</tr>
<tr>
<td>T. Narasipura</td>
<td>150</td>
<td>68</td>
<td>45%</td>
</tr>
<tr>
<td>Nanjangud</td>
<td>150</td>
<td>73</td>
<td>49%</td>
</tr>
<tr>
<td>H.D. Kote</td>
<td>150</td>
<td>66</td>
<td>44%</td>
</tr>
<tr>
<td>Piriyapatna</td>
<td>130</td>
<td>65</td>
<td>50%</td>
</tr>
<tr>
<td>Hunsur</td>
<td>120</td>
<td>58</td>
<td>48%</td>
</tr>
<tr>
<td>K.R. Nagar</td>
<td>160</td>
<td>79</td>
<td>44%</td>
</tr>
<tr>
<td>Mysore</td>
<td>120</td>
<td>62</td>
<td>52%</td>
</tr>
<tr>
<td>7 Taluks</td>
<td>1000</td>
<td>471</td>
<td>47.1%</td>
</tr>
</tbody>
</table>

Source: Consumers opinion survey.
Table 2.5 shows that,

a) 45% males and 55% females are selected as respondents in T. Narasipur Taluk.

b) It is 49% and 51% in Nanjangud Taluk.

c) In H.D. Kote, 44% male and 56% females have responded.

d) Piriyapatna, sample size is 50% and 50%.

e) 48% males and 52% females responded in Hunsur.

f) In K.R. Nagara, 44% males & 56% female are the sample size

and

g) In Mysore Taluk, 52% are male and 48% are female respondents.
<table>
<thead>
<tr>
<th>Taluka</th>
<th>Sample size</th>
<th>15-25</th>
<th>25-40</th>
<th>40-55</th>
<th>55 &amp; above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nos.</td>
<td>%</td>
<td>Nos.</td>
<td>%</td>
<td>Nos.</td>
</tr>
<tr>
<td>T. Narasipura</td>
<td>150</td>
<td>27</td>
<td>18</td>
<td>41</td>
<td>27.33</td>
</tr>
<tr>
<td>Nanjangud</td>
<td>150</td>
<td>32</td>
<td>21.23</td>
<td>45</td>
<td>30.00</td>
</tr>
<tr>
<td>H.D. Kote</td>
<td>150</td>
<td>37</td>
<td>24.67</td>
<td>40</td>
<td>26.67</td>
</tr>
<tr>
<td>Piriyapatna</td>
<td>130</td>
<td>21</td>
<td>16.15</td>
<td>39</td>
<td>30.00</td>
</tr>
<tr>
<td>Hunsur</td>
<td>120</td>
<td>32</td>
<td>26.67</td>
<td>35</td>
<td>29.17</td>
</tr>
<tr>
<td>K.R. Nagara</td>
<td>180</td>
<td>44</td>
<td>24.44</td>
<td>53</td>
<td>29.44</td>
</tr>
<tr>
<td>Mysore</td>
<td>120</td>
<td>30</td>
<td>25.00</td>
<td>41</td>
<td>34.17</td>
</tr>
<tr>
<td>7 Taluks</td>
<td>1000</td>
<td>223</td>
<td>25.00</td>
<td>294</td>
<td>29.4%</td>
</tr>
</tbody>
</table>

**Source:** Consumer opinion survey.
Table 2.6 depicts that,
Research has given almost equal preference to all 4 age groups.

<table>
<thead>
<tr>
<th>22.3%</th>
<th>Respondents</th>
<th>From</th>
<th>15-25</th>
<th>Age group</th>
</tr>
</thead>
<tbody>
<tr>
<td>29.3%</td>
<td>,,</td>
<td>,,</td>
<td>25-40</td>
<td>,,</td>
</tr>
<tr>
<td>27.8%</td>
<td>,,</td>
<td>,,</td>
<td>40-55</td>
<td>,,</td>
</tr>
<tr>
<td>20.5%</td>
<td>,,</td>
<td>,,</td>
<td>55 &amp; above</td>
<td>,,</td>
</tr>
</tbody>
</table>

Researcher has given equal importance (almost) to all age groups in selecting samples. Responses from all these age groups will provide a comprehensive idea of what is preferred by these different age groups. The analysis will help marketers to draw their strategies for these different age groups.
### Table 2.7
Income range of Respondents (per annum)

<table>
<thead>
<tr>
<th>Taluka</th>
<th>Sample size</th>
<th>25,000</th>
<th></th>
<th>25,000 to 50,000</th>
<th></th>
<th>50,000 to 1 lakh</th>
<th></th>
<th>1 lakh &amp; above</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Nos.</td>
<td>%</td>
<td>Nos.</td>
<td>%</td>
<td>Nos.</td>
<td>%</td>
<td>Nos.</td>
<td>%</td>
</tr>
<tr>
<td>T. Narasipura</td>
<td>150</td>
<td>45</td>
<td>30.00</td>
<td>48</td>
<td>32.00</td>
<td>32</td>
<td>21.33</td>
<td>25</td>
<td>16.67</td>
</tr>
<tr>
<td>Nanjangud</td>
<td>150</td>
<td>44</td>
<td>29.33</td>
<td>42</td>
<td>28.00</td>
<td>35</td>
<td>23.33</td>
<td>29</td>
<td>19.33</td>
</tr>
<tr>
<td>H.D. Kote</td>
<td>150</td>
<td>58</td>
<td>38.67</td>
<td>46</td>
<td>30.67</td>
<td>25</td>
<td>16.67</td>
<td>21</td>
<td>14.00</td>
</tr>
<tr>
<td>Piriyapatna</td>
<td>130</td>
<td>41</td>
<td>31.54</td>
<td>41</td>
<td>31.54</td>
<td>30</td>
<td>23.08</td>
<td>18</td>
<td>13.84</td>
</tr>
<tr>
<td>Hunsur</td>
<td>120</td>
<td>40</td>
<td>33.33</td>
<td>48</td>
<td>40.00</td>
<td>20</td>
<td>16.67</td>
<td>12</td>
<td>10.00</td>
</tr>
<tr>
<td>K.R. Nagara</td>
<td>180</td>
<td>67</td>
<td>37.22</td>
<td>59</td>
<td>32.78</td>
<td>24</td>
<td>13.33</td>
<td>30</td>
<td>16.67</td>
</tr>
<tr>
<td>Mysore</td>
<td>120</td>
<td>31</td>
<td>25.83</td>
<td>19</td>
<td>15.83</td>
<td>32</td>
<td>26.67</td>
<td>38</td>
<td>31.67</td>
</tr>
<tr>
<td>7 Taluks</td>
<td>1000</td>
<td>326</td>
<td>32.6%</td>
<td>303</td>
<td>30.3%</td>
<td>198</td>
<td>19.8%</td>
<td>173</td>
<td>17.3%</td>
</tr>
</tbody>
</table>

**Source:** Consumer opinion survey.
Figure 2.5 Income range of Respondents (per annum)
**Table 2.7 shows that,**

- Approx 1/3 (32.6%) of the respondents are having annual income below Rs. 25,000.
- 30.3% of the respondents are in a better position ensuring up to Rs. 50,000 per annum.
- 19.8% of the respondents are with annual income up to one lakh.
- 17.3% of the respondents are comfortable with annual income of 1 lakh and above.
- Hunsur taluk is the lowest in higher income range of 1 lakh and above.
- On the contrast, Mysore Taluk has more people with his her income range of 1 lakh and above (31.67%).
- H.D. Kote has more low income respondents earning below 25,000 per annum (38.67).
Table 2.8

Educational qualification of Male respondents in Mysore district

<table>
<thead>
<tr>
<th>Taluka</th>
<th>Sample size</th>
<th>1-7th std.</th>
<th>7th to 12th std.</th>
<th>Degree</th>
<th>Illiterates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Nos.</td>
<td>%</td>
<td>Nos.</td>
<td>%</td>
</tr>
<tr>
<td>T. Narasipura</td>
<td>68</td>
<td>33</td>
<td>48.53</td>
<td>10</td>
<td>14.71</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nanjangud</td>
<td>73</td>
<td>34</td>
<td>46.58</td>
<td>16</td>
<td>21.92</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>H.D. Kote</td>
<td>66</td>
<td>29</td>
<td>43.94</td>
<td>14</td>
<td>21.21</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Piriyapatna</td>
<td>65</td>
<td>32</td>
<td>49.23</td>
<td>17</td>
<td>26.15</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hunsur</td>
<td>58</td>
<td>23</td>
<td>39.65</td>
<td>15</td>
<td>25.86</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>K.R. Nagara</td>
<td>79</td>
<td>40</td>
<td>50.63</td>
<td>20</td>
<td>25.32</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mysore</td>
<td>62</td>
<td>13</td>
<td>20.97</td>
<td>23</td>
<td>37.10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Taluks</td>
<td>471</td>
<td>204</td>
<td>43.3%</td>
<td>115</td>
<td>24.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td></td>
<td></td>
<td>43.3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Consumer opinion survey.
Figure 2.6 Educational qualification of Male respondents in Mysore district
Table 2.8 depicts that,

Out of 471 male respondents,

a) 43.3% have studied up to 7th standard.
b) 24.4% have studied up to 12th standard.
c) 15.7% are degree holder & (or studied up to) and
d) 16.6% of the male respondents are illiterates.
e) Highest illiterates among males are found in T. Narasipura (26.47%).
f) In Mysore taluk, illiteracy rate is low (8.06%).
g) Highest no. of degree holders are also found in Mysore Taluk (33.87%).
h) Except in Hunsur Taluk, approximately about 48% of the male respondents have studied up to 7th std.
Table 2.9

Educational qualifications of female respondents

<table>
<thead>
<tr>
<th>Taluka</th>
<th>Sample size</th>
<th>1-7th std.</th>
<th>7th to 12th std.</th>
<th>Degree</th>
<th>Illiterates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nos.</td>
<td>%</td>
<td>Nos.</td>
<td>%</td>
<td>Nos.</td>
</tr>
<tr>
<td>T. Narasipura</td>
<td>82</td>
<td>49</td>
<td>59.76</td>
<td>8</td>
<td>9.76</td>
</tr>
<tr>
<td>Nanjangud</td>
<td>77</td>
<td>38</td>
<td>49.35</td>
<td>16</td>
<td>20.77</td>
</tr>
<tr>
<td>H.D. Kote</td>
<td>84</td>
<td>30</td>
<td>35.71</td>
<td>21</td>
<td>25.00</td>
</tr>
<tr>
<td>Piriyapatna</td>
<td>65</td>
<td>28</td>
<td>43.07</td>
<td>17</td>
<td>26.15</td>
</tr>
<tr>
<td>Hunsur</td>
<td>62</td>
<td>31</td>
<td>50.00</td>
<td>12</td>
<td>19.35</td>
</tr>
<tr>
<td>K.R. Nagara</td>
<td>101</td>
<td>36</td>
<td>35.64</td>
<td>20</td>
<td>19.80</td>
</tr>
<tr>
<td>Mysore</td>
<td>58</td>
<td>19</td>
<td>32.76</td>
<td>14</td>
<td>24.14</td>
</tr>
<tr>
<td>7 Taluks</td>
<td>529</td>
<td>231</td>
<td>43.6%</td>
<td>108</td>
<td>20.4%</td>
</tr>
</tbody>
</table>

Source: Consumer opinion survey.
Figure 2.7 Educational qualifications of female respondents

- 1-7th std.
- 7th to 12th std.
- Degree
- Illiterates

T. Narasipura, Nanjangud, H.D. Kote, Piniyapalna, Hunsur, K.R. Nagara, Mysore

Figure 2.7 Educational qualifications of female respondents
Table 2.9 shows that,

- Out of 529 female respondents, 43.6% have studied up to or below 7th standard.
- 20.4% of the female respondents have studied between 7th to 12th (SSLC or PUC).
- Only 11% of the female respondents have furthered their education up to degree.
- But 25% of them are illiterates, residing in interior villages.

2.9 Challenges/problems in rural markets:

Rural India has become a target for marketers, because of the huge potential it offers for products and services. But lack of understanding of rural markets puts the marketers in to roadblocks. The challenges posed by the difficulties of physical distribution and uneconomical market size, lack of mass media reach compound their problem. But in spite of all problems, rural markets are growing at a phenomenal rate. Few challenges posed by rural markets are discussed below.

2.9.1 Seasonality of demand:

The demand for goods and services is seasonal as agriculture is a seasonal activity and logistic problems automatically arise because of irregular transportation. In any effective "route schedule" system of distribution, a supplier has to cover large areas so as to reach the break even level, overcoming the constraints of rising transportation and inventory carrying cost.
2.9.2. Lack of mass communication:

It is a major hurdle in demand creation. The conventional print media is very narrow in scope for a variety of reasons. TVs are there, continuous power cuts come in the way of watching TVs. For all practical purposes, 43% of rural India is out of reach of media coverage.

2.9.3. Spurious Brands choke authentic items:

Rural markets are filled with spurious brands. The colors and identical cover graphics are used for selling spurious products as original. Even names may sound similar eg, ‘POMES’ for PONDS, REN for RIN, NILMA for NIRMA, LITEBOY for LIFEBOY etc.

2.9.4. Shortage of distribution outlets:

76% of the estimated 3.7 million rural outlets are concentrated in 7 states. All these have sprouted in to relatively sizeable and well off villages, where there is sufficient demand. What about other states and rest of the villages? Most of the products reach rural customers thro wholesale channels. Finding a local wholesaler is not easy. It is difficult to persuade a local villager to set up his shop in a village. Shortage of capital, lesser commission by reputed companies is another big impediment.

2.9.5. High distribution costs:

As villages are scattered within undespread of consumers, marketers face the problem of accessing these markets. Distributing a truck load of goods in urban areas is easier where as, to distribute the same truck load in rural market, marketer has to cover hundreds of small and large villages. In turn, it results in high distribution costs.
2.9. 6. High Initial market development expenditure

Promotional expenses are very high in rural markets. To begin with products awareness to be created, promotional measures to be adopted. As the village & are widespread developmental cost & workout to be very high.

2.9.7. Banking and credit problems:

Bank’s presence is not there in many villages. Even if it is there ‘credit’ is a big problem for a rural whole seller, as the turnover is not continuous. That’s why, companies find it difficult to appoint wholesalers in small villages.

2.9. 8. Market research Problem

To understand the needs and expectations of the customers, companies do undertake market research with wide spectrum of consumers. Rural markets are unique, consumers beliefs, usage, requirements are different form urban consumers. To manufacture rural oriented products, MR is a must. But because of scattered villages, MR becomes very expensive and villagers tastes, choices are different from region to region.

2.9. 9. Highly dispersed and thinly populated markets

As discussed above, rural markets are highly dispersed. Each village has thin population. It is difficult to take any promotional and distribution activities in villages with less than 5000 population. Compared to turnover and profits, costs are very high.
2.9.10. Low per capita income
Because of low income, standard of living is low in interior villages. Social and economic backwardness of these rural masses demotivates marketers for introducing new products into rural markets.

2.9.11. Salesmen not suitable for rural markets
Normally companies appoint urban and semi-urban based salesmen for rural markets too. These salesmen unaware of the psyche of rural masses, cannot motivate them for buying/create awareness.

2.9.12. More staff requirement:
More vans, more staff are required to cover scattered rural markets, which dealers cannot afford. This cuts the accessibility to rural consumers. Though there are many challenging problems, there are also growing opportunities for businessmen.

2.10. Existing and prospective opportunities
"GO RURAL" is the slogan of marketing gurus after analyzing socio-economic changes in villages. Rural markets in India bring in larger revenues, as it comprises of maximum number of consumers. Rural markets offer great potential with its vast size and demand base, having 41% of middle class & 58% of disposable income.

Rural India has been witnessing considerable rise in purchasing power and brand recognition. A change in consumption pattern and access to communication media have made the rural market, a vital cog in sales – growth wheel.
Literacy and awareness are the buzz words of rural markets now. It is interesting to note that 40% of the youngsters graduating from colleges are rural youths. If these unemployed youth are utilized for brand building and sales, it will be easier for companies to penetrate deep into rural markets.

Growth areas today are 13000 villages with population of more than 5000. Looking at the opportunities, more and more MNC’s are forging ahead. Some of the successful are HUL, COCO-COLA, LG electronics, Britannia, Philips, ITC, BSNL, LIC, Bajaj, Hero Honda etc.,

India is classified into around 450 districts, & 6,30,000 villages which can be sorted under different parameters viz, literacy, income, accessibility, distance from nearest towns etc., This helps the marketers to suitably use this data to market their products.

The rural market is an enigma for the categories like radios, watches, cassette players, automobiles, & consumer durables. The penetration levels are low, hence, offers tremendous potential for growth.

According to an estimate, rural market for FMCG is 65,000 crores for durables it is 5000 crores, tractors and agricultural inputs Rs.45,000 crores automobiles 8000 crores. Such are the prospects of rural markets.
Computer literacy is spreading everywhere. BPO's are focusing on smaller towns for cost effectiveness. Hence opportunities open for IT & ITES companies computer institutes & allied services.

Tourism is catching up in small towns. It has been a habit for villagers to go on tour in groups once in a year, can we en-cash this opportunity?

Rural people are more health conscious, now with increasing affordability, small hospitals or health care services at reasonable rates can establish and do tremendous business.

2.11. Strategies to Adopt

The past practice of treating rural markets as appendages to urban market is not correct. The mantra for success can be augmented by – Four A Framework of affordability, acceptability, accessibility & awareness.

2.11.1. Affordability

1. As Villagers believe in “Value for Money” bring in “Small Packs” at affordable range, already HUL, ITC, and others are doing it
2. Lower the price of the product
3. Push higher usage & get your price point right.

2.11.2. Acceptability:

1. Create special brands for rural markets and push e.g., Britannia TIGER
2. Customize the marketing elements. Understand rural consumer needs psychology, social dynamics & create appropriate marketing mix. This can be done through traditional method of survey to collect information {Research}

3. Direct marketing & more intensive personal selling efforts are best strategies. Use Co-Operative societies, Self help groups etc., for this

4. Keep products simple & functional

5. Modify the product, make it to look rugged & durable.

6. Make your brand ‘Visible’ in the right place e.g., Clinic Shampoo, Ghadi Detergent, Nirma etc.,

2.11.3. Accessibility:

1. Marketers can make use of available infrastructure in the rural areas
   Post Office 1,38,000
   Haats 42,000
   Melas 25,000
   Mandis 7,000
   Public Distribution shops 3,80,000
   Bank Branches 32,000

2. Large format rural retail stores are another source. Viz M&M Shubh Labh stores, Kishan Kendras, DSCL Haryali stores, Escorts rural stores etc.,

3. Self help groups, Anganawadis, co-operatives, Rural college going students thro ‘earn while your learn’ project can also be used for distribution.
2.11.4. Awareness & Promotion:

1. Formulate different advertising strategies for different regions, as there is very little commonality between regions.

2. Communicate effectively, understanding the rural consumers aspirations fears & hopes of using the new product.

3. Use regional language on wall paintings. Let there be more picture & less words.

4. “Opinion Leaders” play a key role in popularizing products & influence rural markets. As 40% of the rural youth are graduates use them as sales team with training. Best promotion methods are Van campaigns paintings on walls advertisements in local cinemas canvassing on bullock carts. Autos, sales vans etc.,

5. Watch the innovative strategies used by MRF Bullock cart tyres {Nylon Chord breaking contest,} HUL “Operation Bharath” {Distribution of low priced sample sachets}, Chick Shampoo {1/- & 50 paisa sachets}, Marico Parachute Oil {Using village women for campaign} HULs “Project Shakti” {Creating opportunities to increase income of rural families}.

6. ‘Hub -&-spokes’ model is advised for distribution.

2.12. Summary:

Rural markets have come a long way: Purchases from shandies haat to malas to village petty shops to wholesaler and has shown tremendous growth. Now organized retailing, e-marketing are the new mantras of today. Rural consumers have handful of money approach them, convince them and persuade them to use branded products.
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