

# Market Literacy & Trend Analysis of Emerging Rural Market

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## **Abstract**

*In the present scenario the rural markets are estimated to be growing fastly compared to the urban markets. The potentiality of rural markets are said to be like a 'woken up sleeping giant'. These facts are substantiated in a study of market growth conducted by various researches. In recent years, rural markets have acquired significance in India, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. On account of the green revolution in India, the rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely, rural marketing has taken shape Rural India is going to become a biggest market of the world in the near future and it is transforming like anything. Rural marketing as an emerging trend is about to explore possibilities in the rural India. It is a process to hunt a treasure Iceland, yet to be hunted by the adventurous explorers. In this paper, I have discussed why and in what sense Rural India is going to become a biggest market of the world in the near future and factors which makes rural markets attractive. Finally, we have discussed some emerging trends in rural marketing in India.*

**Keywords:** Rural Market, Trend Analysis.

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## **I. INTRODUCTION**

Marketing may aptly be described as the process of defining, anticipating and knowing customer needs, and organizing all the resources of the company to satisfy them. In fact, satisfaction of customer's needs and wants provides the rationale for the firm's existence. Knowledge of consumer behavior, therefore, is vital for a firm to achieve its marketing goals. The consumer's behavior comprises the acts, processes and social relationships exhibited by individuals, groups and organizations in searching, obtainment, use of, and consequent experience with products and services. An understanding and knowledge of the motives underlying consumer behavior helps a firm in seeking better and more effective ways to satisfy its customers. It helps to select appropriate sales and advertising strategies, and to plan marketing programme in a more efficient manner.

The rural market of India started showing its potential in the 1960s. The 70s and 80s witnessed its steady development. And, there are clear indications that the 21st century is going to see its full blossoming. In our country, where research on consumer behavior has been nominal, not much systematized information is available about the rural consumers. Only a few enlightened companies, known for their marketing orientation, viz., Hindustan Lever, Philips India, Asian Paints, Singer and Larsen and Toubro have made concrete efforts in this direction. But, by and large, we have still to understand the rural buyer, his habits, attitudes and behavior, particularly from the marketing point of view. Many assumptions prevail about rural marketing. For instance, one assumption is that the rural buyer is not very discriminating.

Once he is persuaded to buy a particular product, he develops a strong affinity for it, and if satisfied, becomes brand loyal. As a result, Indian manufacturers are generally known to prefer selling fewer items at higher prices than selling more items at lower prices. A contrary view is that the rural buyer, being suspicious of the marketer's hard sell techniques, is quite discriminating, and is not easily persuaded.

Yet another assumption is that the rural buyer is not particularly keen about quality and packaging. Some other assumptions can be quoted. But, all these need deep probing for arriving at valid and reliable conclusions. Consumer research, thus, is indispensable for entering the rural segment of the market. For quite some time now, the lure of rural India has been the subject of animated discussion in corporate suites. And there is a good reason too. With urban markets getting saturated for several categories of consumer goods and with rising rural incomes, marketing executives are fanning out and discovering the strengths of the large rural markets as they try to enlarge their markets. Today, the idea has grown out of its infancy and dominates discussions in any corporate boardroom strategy session.

Adi Godrej, chairman of the Godrej group that is in a range of businesses from real estate and personal care to agri-foods, has no hesitation proclaiming, It is a myth that rural consumers are not brand and quality conscious. A survey by the National Council for Applied Economic Research (NCAER), India's premier economic research entity recently concerned that rise in rural incomes is keeping pace with urban incomes.

From 55 to 58 per cent of the average urban income in 1994-95, the average rural income has gone up to 63 to 64 per cent by 2001-02 and touched almost 66 per cent in 2004-05. The rural middle class is growing at 12 per cent against the 13 per cent growth of its urban counterpart. Even better, the upper income class those with household incomes of over Rs one million [\$22,700] per annum is projected to go up to 21 million by 2009-10 from four million in 2001-02. It will have a 22 to 23 per cent rural component. Higher rural incomes have meant larger markets. Already, the rural tilt is beginning to show.

A study by the Chennai-based Francis Kanoi Marketing Planning Services says that the rural market for FMCG is worth \$14.4 billion, far ahead of the market for tractors and agri-inputs which is estimated at \$10 billion. Rural India also accounts for sales of \$1.7 billion for cars, scooters and bikes and over one billion dollars of durables. In total, that represents a market worth a whopping \$27 billion. It is no wonder that even MNCs have cottoned on to the idea of a resurgent rural India waiting to happen. Four years ago, Coke ventured into the hinterland. Now Coke's rural growth of 37 per cent far outstrips its urban growth of 24 per cent. Coke is not the first MNC to have cottoned on to the rural lure.

### **Meaning:**

The term 'rural marketing' used to be an umbrella term for the people who dealt with rural people in one way or other. This term got a separate meaning and importance after the economic revaluation in India after 1990. So, before venturing in to the other aspects of rural marketing let us discuss the development of this area in different parts which is briefly explained here.

### **2.1 Part I (Before 1960):**

Rural marketing referred to selling of rural products in rural and urban areas and agricultural inputs in rural markets. It was treated as synonymous to 'agricultural marketing'. Agricultural produces like food grains and industrial inputs like cotton, oil seeds, sugarcane etc. occupied the central place of discussion during this period. The supply-chain activities of firms supplying agricultural inputs and of artisans in rural areas received secondary attention. The local marketing of products like bamboo baskets, ropes, window and doorframes, small agricultural tools like ploughs by sellers like black smiths, carpenters, cobblers, and pot makers were emphasized in general. This was totally an unorganized market where all Banias and Mahajans (local business people) dominated this market.

### **2.2 Part II (1960 to 1990):**

In this era, green revolution resulted from scientific farming and transferred many of the poor villages into prosperous business centers. As a result, the demand for agricultural inputs went up especially in terms of wheat and paddies. Better irrigation facilities, soil testing, use of high yield variety seeds, fertilizers, pesticides and deployment of machinery like powder tillers, harvesters, threshers etc. changed the rural scenario.

In this context, marketing of agricultural inputs took the importance. Two separate areas of activities had emerged- during this period 'marketing of agricultural inputs' and the conventional "Agricultural Marketing". During this period, the marketing of rural products received considerable attention in the general marketing frame work. The formation of agencies like Khadi and Village Industries Commission, Girijan Cooperative Societies APCO Fabrics, IFFCO, KRIBHCO, etc., and also the special attention government had paid to promote these products were responsible for this upsurge. Village industries flourished and products like handicrafts, handloom textiles, soaps, safety matches, crackers etc. hit the urban market on a large scale from rural areas.

### **2.3 Part III (After Mid 1990s):**

The products which were not given attention so far during the two earlier phases were that of marketing of household consumables and durables to the rural markets due to obvious reasons. The economic conditions of the country were as such that the rural people were not in a position to buy these kinds of products. Secondly, our market was in a close shape and we never allowed companies (foreign) to operate in Indian market. But we lifted the... and opened up economy, consequently companies started flourishing in India. The small villages/hamlets were widely scattered making reach difficult and expensive consequently. Rural markets were seen an adjunct to urban market and conveniently ignored.

However, since 1990s, India's industrial sector had gained in strength and maturity. Its contribution to GNP increased substantially. A new service sector had emerged signifying the metamorphosis of agricultural society into industrial society. Meanwhile, due to the development programmes of the central and state governments, service organizations and socially responsible business groups like Mafatlal, Tata's, Birla's, Goenkas and others, the rural area witnessed an all round socio-economic progress. The economic reforms further accelerated the process by introducing competition in the markets. Steadily, the rural market has grown for household consumables and durables. Rural marketing represented the emergent distinct activity of

attracting and serving rural markets to fulfill the needs and wants of persons, households and occupations of rural people.

As a result of the above analysis, we are in a position to define rural marketing “Rural marketing can be seen as a function which manages all those activities involved in assessing, stimulating and converting the purchasing power into an effective demand for specific products and services, and moving them to the people in rural area to create satisfaction and a standard of living for them and thereby achieves the goals of the organization.

According to the National Commission on Agriculture: “Rural marketing is a process which start with a decision to produce a saleable farm commodity and it involves all the aspects of market structure or system, both functional and institutional, based on technical and economic considerations and includes pre and post harvest operations, assembling grading, storage, transportation and distribution.”

According to Prof. Ramkishen. Y “Rural marketing is 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”.

It is a two-way marketing process wherein the transactions can be:

- **Urban to Rural:** It involves the selling of products and services by urban marketers in rural areas. These include: Pesticides, FMCG Products, Consumer durables, etc.
- **Rural to Urban:** Here, a rural producer (involved in agriculture) sells his produce in urban market. This may not be direct. There generally are middlemen, agencies, government co- operatives, etc who sell fruits, vegetables, grains, pulses and others.
- **Rural to Rural:** These include selling of agricultural tools, cattle, carts and others to another village in its proximity.

### **3. Features of Indian Rural Markets:**

**Large, Diverse and Scattered Market:** Rural market in India is large, and scattered into a number of regions. There may be less number of shops available to market products.

**Major Income of Rural Consumers is from Agriculture:** Rural Prosperity is tied with agriculture prosperity. In the event of a crop failure, the income of the rural masses is directly affected.

**Standard of Living and Rising Disposable Income of the Rural Customers:** It is known that majority of the rural population lives below poverty line and has low literacy rate, low per capital income, societal backwardness, low savings, etc. But the new tax structure, good monsoon, government regulation on pricing has created disposable incomes. Today the rural customer spends money to get value and is aware of the happening around him.

**Traditional Outlook:** Villages develop slowly and have a traditional outlook. Change is a continuous process but most rural people accept change gradually. This is gradually changing due to literacy especially in the youth who have begun to change the outlook in the villages.

**Rising Literacy Levels:** It is documented that approximately 45% of rural Indians are literate. Hence awareness has increases and the farmers are well- informed about the world around them. They are also educating themselves on the new technology around them and aspiring for a better lifestyle.

**Diverse Socioeconomic Back- ground:** Due to dispersion of geographical areas and uneven land fertility, rural people have disparate socioeconomic background, which ultimately affects the rural market.

**Infrastructure Facilities:** The infrastructure facilities like cemented roads, warehouses, communication system, and financial facilities are inadequate in rural areas. Hence physical distribution is a challenge to marketers who have found innovative ways to market their products.

As part of planned economic development, the government is making continuous efforts towards rural development. In this age of liberalization, privatization and globalization, rural market offers a big attraction to the marketers to explore markets that are untapped.

### **4. What Makes Indian 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 Crores
- Durables Rs. 5,000 Crores
- Agri-inputs (incl. tractors) Rs. 45,000 Crores
- 2 / 4 wheelers Rs. 8,000 Crores
- 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.
- 42 million rural HHs availing banking services in comparison to 27 million urban HHs.
- Investment in formal savings instruments: 6.6 million HHs in rural and 6.7 million in urban.

**3. 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.

**Durables Urban Rural Total (% of rural HH):**

CTV	30.4	4.8	12.1
Refrigerator	12.0	33.5	3.5

**FMCGs Urban Rural Total (% of rural HH):**

Shampoo	66.3	35.2	44.2
Toothpaste	82.2	44.9	55.6

- Marketers can make effective use of the large available infrastructure.
- Post offices - 1, 38,000
- Haats (periodic markets) - 42,000
- Melas (exhibitions) - 25,000

- Mandis (agri markets) - 7,000
- Public distribution shops - 3, 80,000
- Bank branches - 32,000
- Proliferation of large format rural retailstores which have been successful also.

#### **4. Roadblocks of Indian Rural Markets:**

There are several roadblocks that make it difficult to progress in the rural market. Marketers encounter a number of problems like dealing with physical distribution, logistics, proper and effective deployment of sales force and effective marketing communication when they enter rural markets. The major problems are listed below.

**Standard of Living:** The number of people below the poverty line is more in rural markets. Thus the market is also underdeveloped and marketing strategies have to be different from those used in urban marketing.

**Low Literacy Levels:** The low literacy levels in rural areas leads to a problem of communication. Print media has less utility compared to the other media of communication.

**Low Per Capita Income:** Agriculture is the main source of income and hence, spending capacity depends upon the agriculture produce. Demand may not be stable or regular.

**Transportation and Ware housing:** Transportation is one of the biggest challenges in rural markets. As far as road transportation is concerned, about 50% of Indian villages are connected by roads. However, the rest of the rural markets do not even have a proper road linkage which makes physical distribution a tough task. Many villages are located in hilly terrains that make it difficult to connect them through roads. Most marketers use tractors or bullock carts in rural areas to distribute their products. Warehousing is another major problem in rural areas, as there is hardly any organized agency to look after the storage issue. The services rendered by central warehousing corporation and state warehousing corporations are limited only to urban and suburban areas.

**Ineffective Distribution Channels:** The distribution chain is not very well organized and requires a large number of intermediaries, which in turn increases the cost and creates administrative problems. Due to lack of proper infrastructure, manufacturers are reluctant to open outlets in these areas. They are mainly dependent on dealers, who are not easily available for rural areas. This is a challenge to the marketers.

**Many Languages and Diversity in Culture:** Factors like cultural congruence, different behavior and language of the respective areas make it difficult to handle the customers. Traits among the sales force are required to match the various requirements of these specific areas.

**Lack of Communication System:** Quick communication is the need of the hour for smooth conduct of business, but it continues to be a far cry in rural areas due to lack of communication facilities like telegraph and telecommunication systems etc. The literacy rate in use organized media-mix like TV, Radio, cinema and POP (point of purchase) advertising. Television is gaining popularity in the rural areas but due to poor supply of electricity, radio is performing significantly better. Since, the rural people need demonstration, short-feature films with disguised advertisement messages, direct advertisement films and documentaries that combine knowledge and advertisements will perform better rural marketing communication. Here the companies may also use audiovisual publicity vans, which may sell the products with promotion campaign.

To attract the rural consumers, companies can organize village fairs, dance and drama shows, group meetings to convince the rural consumers about the products and services. In most Indian villages, there are some opinion leaders. For the rural markets, only those sales people should be preferred for selection who is willing to work in rural areas like Sarpanch, Pradhan and other elderly persons. They can be approached by the marketers to propagate their messages; these persons can prove to be effective communicators within the rural masses. The rural market in India is quite fascinating and challenging in spite of all the difficulties existing. The potential is enormous. Even though, these markets have weaknesses they also have tremendous opportunities which should be availed by the marketers. It is well known that "Markets are created and not born". The market so created should be tapped effectively. An ideal example is that of LIC.

**Spurious Brands:** Cost is an important factor that determines purchasing decision in rural areas. A lot of spurious brands or look-alikes are available, providing a low cost option to the rural customer. Many a time the rural customer may not be aware of the difference due to illiteracy.

**Seasonal Demand:** Demand may be seasonal due to dependency on agricultural income. Harvest season might see an increase in disposable income and hence more purchasing power.

**Dispersed Markets:** Rural population is highly dispersed and requires a lot of marketing efforts in terms of distribution and communication. The entire points discussed above offer challenges to the marketer. He tries to uncover newer ways to market his product as he cannot afford to miss this huge opportunity existing in rural markets. He tries to identify solutions to these marketing problems.

## 7. Solutions to Problems of Rural Markets:

To solve the problems of rural markets in India, the following suggestions can be used by marketers.

**Regarding the Problems of Physical Distribution:** The marketer may have a joint network of stockiest/clearing- cum-forwarding (C&F) agents at strategic location for facilitation of physical distribution for its products in the rural market. The main advantage of this scheme is that the costs of physical distribution can be shared by the companies and stockists. The combination of different modes of transport based on availability of tracks will be beneficial to the companies. Presently, bullock-cart plays a very vital role in rural distribution where the roads are not available. Some of the leading companies use delivery vans in rural areas for resolving the distribution problems in rural market. The delivery van takes the products to the retail shops in every corner of the rural market and it enables the company to establish direct sales contact with majority of the rural consumers which helps in sales promotion.

**To Solve the Problems of Sales Force Management:** It is suggested that the company takes due care in the recruitment and selection of sales people because the traits they require are different from urban and suburban sales persons. For the rural markets, only those sales people should be preferred for selection who is willing to work in rural areas. They must be aware of the local language and must have the patience to deal with rural customers and can discharge the duties of a bare-footed salesman. Administration of such a large and scattered sales force, supervising and supporting them in sales calls, guiding them, attending to their official and personal problems, and motivating them for better results should be an exacting task for the sales manager. Thus, the people operating in rural areas should invariably be from the rural background and should have a missionary zeal to serve the rural masses.

**With Reference to Marketing Communication in Rural Areas:** The company should easily convince his near and dear ones. LIC started a scheme called Gram Vikas where the Sarpanch is given a target to sell a minimum of 10 policy plans and the commission so earned is spent on the development of their respective villages. The marketers have to come up with innovative ideas through which the villagers also get involved in getting business from their respective villages. The Indian rural market is quite fascinating and challenging. It provides tremendous opportunities which beckon a marketer to explore.

## 8. Emerging Trends in Rural Markets:

**Online Rural Market (Internet, Nicnet):** Rural people can use the two-way communication through on-line service for crop information, purchases of Agri- inputs, consumer durable and sale of rural produce online at reasonable price. Farm information online marketing easily accessible in rural areas because of spread of telecommunication facilities all over India. Agricultural information can get through the Internet if each village has small information office.

**Information Through Local Agriculture Input Dealers:** Most of the dealers have direct touch with the local farmers; these farmers need awareness about pests, disease, fertilizers, seeds, technology and recent developments. For this information, farmers mostly depend on local dealers. For development of rural farmers the government may consider effective channel and keep information at dealers, for farmer education hang notice board and also train the dealer recent changes and developments in agriculture.

National Chain Stores: large

Number of stores set up in different rural areas throughout the country by the same organization for marketing its products. Thus national chain stores can serve large number of customers in rural area.

**Cost Benefit Analysis:** Cost benefit can be achieved through development of information technology at the doorsteps of villagers; most of the rural farmers need price information of agri- produce and inputs. If the information is available farmers can take quick decision where to sell their produce, if the price matches with local market farmer no need to go near by the city and waste of money & time it means farmers can enrich their financial strength.

**Need Based Production:** Supply plays major role in price of the rural produce, most of the farmers grow crops in particular seasons not throughout the year, it causes oversupply in the market and drastic price cut in the

agricultural produce. Now the information technology has been improving if the rural people enable to access the rural communication, farmers awareness can be created about crops and forecasting of future demand, market taste. Farmers can equate their produce to demand and supply, they can create farmers driven market rather than supply driven market. If the need based production system developed not only prices but also storage cost can be saved. It is possible nowadays the concept of global village.

**Market Driven Extension:** Agricultural extension is continuously going through renewal process where the focus includes a whole range of dimensions varying from institutional arrangements, privatization, decentralization, partnership, efficiency and participation.

The most important change that influences the extension system is market forces. There is a need for the present extension system to think of the market driven approach, which would cater the demands of farmers.

**Processing Industry:** India is the second largest producer of fruits and vegetables in the world with an annual production of more than 110 million tones of fruit and vegetable only 1.3 percent of the output is processed by the organized sector commercially, the reason higher consumption in fresh form. However, as the packaging, transportation and processing capacities increase, the market for processed fruits and vegetables is projected to grow at the rate of about 20 % per annum. 100 % export oriented units (EOD) and Joint venture units .required improving the processing industry.

**Apanamandi/KisanMandi/ Rythu bazaar:** There is a need to promote direct agricultural marketing model through retail outlets of farmer's co- operatives in urban areas. The direct link between producers and consumers would work in two ways: one, by enabling farmers to take advantage of the high price and secondly, by putting downward pressure on the retail prices.

Rural Agri-export: Rural produce, raw fruits and vegetable, processing goods, have the potential market in Asian, Europe and western countries. Particularly southern countries have commendable potential for Indian rural produce.

## **II. Conclusion:**

Mahatma Gandhi once predicted that unless the villages are developed, India can't progress. The rural market of India is fascinating and challenging at the same time. It offers large scope on account of its sheer size and it is growing steadily. Even a small growth can push up the sales of a product substantially, in view of the huge base despite the fact that there are enormous amount of problems.

It is an attractive market from this angle also that the urban market is highly competitive; the rural market is relatively quiet. In fact, for certain products, it is a totally virgin market. Finally, it is certain that companies will have to really gain inroads in the rural markets in order to achieve double digit growth targets in future. There is huge potential and definitely there is lot of money in rural India but the smart thing would be to weigh in the roadblocks as carefully as possible.

The companies entering into the rural markets must do so for strategic reasons and not for tactical gains as rural consumer is still a closed book and it is only through unwavering commitment that the companies can make a dent in the market. It is therefore needs to be treated differently keeping into consideration the diverse consumer buying behavior and unorganized market structure. It would be better if companies consider the rural sector as a not much known international market and use polycentric rather than the ethnocentric approach to service it.

Ultimately, the winner would be the one with the required resources like time and money and also with the much needed innovative ideas to tap the rural market. Overall this work establishes that there are huge opportunities in rural marketing and the future lies with those companies who see the poor as their customers.

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