

Challenges and Opportunities of Indian Rural Market

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Abstract

Now a day's marketing added a new concept that was an unknown territory many years ago, it is called rural marketing. This concept given a new idea to a businessman to fight with their competitors. More than 70% peoples of India lives in rural areas so it is a big chance to catch the new customers for an organization. Today's corporations must understand the rural market on different context to widen their business horizon, to expand their market and to exploiting the opportunities available in the rural areas. The Indian market is bigger and vast and also has many consumers, its offers the great opportunities for the marketer. Today rural markets are in the focus of Indian marketer for various reasons that include the current and future potential of the market. The size of market covers more than two thirds of the country's population and half of national income. But rural marketing in India is still in its infancy stages and faces lot of problems such as product designing, pricing of the product, distribution, positioning and promotion etc. The purpose of this study is to observe the potentiality of Indian rural markets and also find out various types of problems are being faced by rural markets and also find out the opportunities of Indian rural marketing by adopting SWOT analysis matrix on Indian rural markets.

Keywords:-Rural marketing, Indian rural market, rural market challenges, SWOT analysis.

Introduction

Marketing is a wide concept and it has become key words for any organization for getting success in today's complicated business environment. Consumer's needs increasing day by day and they also prefer the quality of product so it is a responsibility for any organization to fulfill the demand of customers. But we know that the competition is so high, so many companies are searching new areas for selling the product and rural markets give the big chance for those companies. Rural Marketing meant different in 3 different periods. Part1 (before 1960): It was a completely an unorganized market, where "baniyas and mahajans" dominated the market. Rural marketing was another word for agricultural marketing because agricultural produces like food grains and industrial like food grains and industrial like cotton, oil seeds, sugarcane etc occupied primary attention and the supply chain activities of firm supplying agricultural inputs and of artisans in the rural areas received secondary attention. Part 2(1960 to 1990):The greatest thing which happened in this period was green revolution which led to farming involving scientific and technological methods and many poor villages became prosperous business centers. With better irrigation facilities, soil testing, use of high yield variety seeds, fertilizers,

pesticides and deployment of machines like power tillers, harvesters, threshers etc, and the output increased especially wheat and paddies. Due to this marketing of agricultural inputs was also now there a new potential market. Now marketing of rural marketing meant “marketing of agricultural inputs” and “agricultural marketing”. Agencies like Khadi and Village Industries Commission, Girijan Cooperative Societies APCO Fabrics, IFFCO, KRIBHCO Company bloomed and government paid special attention to promote these products. Sale of handicrafts, handloom textiles, soaps, safety matches and crackers increased on large scale in urban areas. Part 3(after mid 1990): Since 1990, India’s industrial sector had gained strength and maturity. Its contribution to GNP increased substantially. There was metamorphosis of agricultural society to industrial society. With support and development programmes of central and state governments, service organizations and socially responsible business groups like Mafatlal, Tatas, Birla, Goenkas and others the rural areas progressed socially and economically(http://en.wikipedia.org/wiki/Rural_marketing)

Evolution of Rural Marketing

Table-1

Phases	Origin	Function	Major product	Source market	Destination market
Phase 1	Before mid 1960(from independence to green revolution)	Agricultural marketing	Agricultural produce	Rural	Urban
Phase 2	Mid sixties(green revolution to pre-liberalization)	Marketing of agricultural inputs	Agricultural inputs	Urban	Rural
Phase 3	Mid nineties(post liberalization period in 20 th century)	Rural marketing	Consumables and durables for consumption and production	Urban and rural	Rural
Phase 4	The 20 th century	Development of marketing	All products and marketing	Urban and rural	Urban and rural

(<http://www.slideshare.net>)

Phase 1 (From independence to green revolution)

In 1960 the first concept of green revolution comes out means it is increased in the agricultural productivity in developing countries. This stage shows the marketing of agricultural product which are produce in rural areas and sent to urban markets to sell.

Phase 2 (Green revolution to pre-liberalization period)

During these times, due to the advent and spread of green revolution, rural marketing represented marketing of agricultural inputs in rural markets and marketing of rural produce in urban areas.

Phase 3 (Post-liberalization period of the 20th century)

This 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 and serving rural markets to fulfill the needs and wants of rural households, people and their occupations.

Phase 4 (21st century)

Learning from its rural marketing experiences after the independence, the corporate world has finally realized that quick-fix solutions and piecemeal approaches will deliver only limited results in rural market. 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 and strategies must not focus on just selling products and services, but they should also aim at creating an environment for this to happen. The objective of rural marketing in the current phase is the improvement of the quality of life by satisfying the needs and wants of customers, not through stand-alone products or services, but by presenting comprehensive and integrated solutions which might involve a set of inter-related products and services. In rural dominated country live India, where nearly 40% of the population is poor, the concept of rural marketing must be developmental in nature. Business organization must consider how to integrate rural areas into their business model to create a win-win situation. Delivering a better standard of living and enhancing the quality of life in an efficient manner will be the new role of rural marketing in the 21st century. (<http://books.google.co.in>)

The important characteristics of rural marketing in Indian Economy are being listed below:

Diverse Nature:

- Out of there 50% share a very small population of less than 500 and a limited purchasing power. Many of these villages don't have a single shop
- In the second category there are 250000 villages with a population between 500-2000. There are at least 5 shops per village.
- Lastly there are 60,000 villages with a population of more than 2000.

Rising Disposable Income of Rural Customers:

- New tax structures, good monsoons, the green revolution and the Administered Pricing Mechanism (APM) have raised disposable incomes in rural areas.
- It is ironic that rural people spend so lavishly on weddings, ceremonies and festivals amidst deficiency.
- Today the rural consumer shop for 'value'.

Raising Literacy Level:

- Nearly 45% of rural Indians are literate out of which 59% are men and 31% are women.
- Around 12 crore people in villages are literate as compared to 12.5 crore in urban India.
- Every year produces 60 lakh literate people.
- The increased enrolment in schools has also generated a wave of rural demand for lifestyles and aspiration products. Hence, one cannot make generalization about Indian rural markets.

Spread of Cable Television:

- The growth of satellite TV channels has had a major impact on villagers.
- It has led to a change in lifestyle and consumption patterns.
- Television has high capacity to raise interest levels as it has greater accessibility compared to other media.
- Rural consumers not aspire to buy brands rather than to just purchase commodities. (<http://www.scribd.com>)

Challenges of Rural Marketing

The peculiarities of the rural markets and rural consumers pose challenges to the marketers in reaching them effectively. While making out a case for opportunities that are rapidly developing in rural markets, one should not underestimate the several daunting problems in planning for growth due to these problems marketing efforts are a large number of small villages which are not easily accessible because of all weather roads. Rural consumers are for less homogeneous than urban consumers. The challenges are given below:

Understanding the rural consumer:

The biggest challenge is to understand the perceptions, viewpoints and actual needs of rural people, which is dramatically different form urban people.

Low per capital income:

India is the fourth largest economy in the world due to a strong economic growth but still has a low per capita income of Rs.53331. It results in low consumption pattern as compared to the urban population.

Transportation problems:

Transportation infrastructure is quite poor in rural India. Nearly 80% of villages in the country are not connected by well constructed roads. Marketing activities require transportation facilities. Due to poor transportations facilities, farmers and marketers find it difficult to reach markets.

Low literacy level:

There are enough opportunities for education in rural areas. The literacy level is as low (36%) when compared to all-India average of 52%.

Table-2

Sex	1971	1981	1991	2001	2011
Male %	34	46	58	75	82
Female %	13	18	31	54	65
All %	24	30	45	65	74

Lack of proper infrastructure and other physical facilities:

Nearly 50% of the villages do not have all weather roads. Physical communication to their villages is highly expensive. Even today, most villages in eastern part of the country are inaccessible during monsoon season. About 20% of the six lakh villages are without telephone facility even today and there is no rail transport. Facilities such as fax and telegram are rather poor in rural areas.

Underdeveloped people and underdeveloped markets:

Unfortunately, the impact of the technology is not experienced uniformly throughout the nation. Except some districts in Punjab, Haryana, Uttar Pradesh, large areas and groups of people have remained beyond the technological breakthrough. Inadequate banking and credit facilities and so many other problems are there.

Seasonal demand:

Demands for goods in rural markets depend upon agricultural situation, as agriculture is the main source of income. Agriculture to a large extent depends upon monsoon and therefore, the demand or buying capacity is not stable or regular.

Media problem:

Media have lots of problems in rural areas. Television is a good medium to communicate message to the rural people. But due to non-availability of power, as well as television sets, majority of the rural population cannot get the benefits of various media.

Many Languages and Dialects:

The presence of local languages causes major difficulty for companies in promoting their products in rural market. People are not educated enough to know one common language like Hindi or English and it is difficult for the companies to prepare promotional advertisements in every local language.

Availability of duplicate and cheap brands:

Customers in rural India are very cost sensitive. Therefore the existence of duplicate brands, which are quite common in rural parts, at lesser prices gives considerable competition to the firms. (<http://www.mbaskool.com>)

Opportunities in Rural Markets:

Rural marketing provides lot of opportunities for the marketers. The opportunities are:

- Untapped potential: This market is largely unexploited by marketers. It is estimated by HUL that out of 6Lac plus villages, only 1L has been tapped so far.
- Market size and Potential: The size of India's rural market is stated as, about 12.2% of the world's consumers live in rural India. In India, rural households form about 72% of the total households and this constitutes a huge market by any standard.
- Current consumption: The purchase and consumption of certain durables and non-durables in rural areas is more than that in urban areas. Some of the durables for which the demands in rural areas are more than that of urban areas are: sewing machines, radios, wristwatches, bicycles, etc. It is estimated that for washing machines, the annualized growth is at 37%, and the annualized growth rate for consumer durables is estimated as 25%. The

following table shows the consumption level of various non-durables in rural markets of India.

Table-3

Non Durable products	Share of rural mkts
Batteries	56%
Blues	52.3%
Coconut oil	42%
Iodized salt	52%
Razor Blades	54.1%
Tea	51.3%
Toilet soap	42%
Washing soaps	55%
Washing powder/ liquid	47%

- Increasing Income: Different programs undertaken by the govt have helped to improve the economic situation of rural areas. The educated and employed population in rural areas also increased substantially over years, and that also contributed largely to the improvement in the income level of rural India.
- Accessibility of Markets: A fair amount of development in infrastructure, especially in the road network, made these regions accessible from the nearby urban regions.

SWOT analysis matrix on Indian rural marketing:

Table-4

Strength	Weaknesses	Opportunities	Threats
Large Indian rural population	Lack of good infrastructure	Growing income level of rural consumers	Increasing grey market
Good government support	Lack of physical distribution network	Growing literacy level	Grooving competition
Availability of product's raw material	Low consumption level	Growing quality consciousness	Less knowledge level on product identification
Availability of human resource	Less research and development activities	Changing socio-economic scenario	Slow market growth and competition

Conclusion:

By 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. The rural market is very large in compare to the urban market as well as it is more challenging market. The consumer wants those products which are long lasting, good, easy to use and cheaper. The income level of rural consumers is not as high as the income level of urban consumers that's why they want low price goods. It is one of the reasons that the sell of sachet is much larger in the rural area in all segments. It is necessary for all the major companies to provide those products which are easy to available and affordable to the consumers. It is right that the profit margin is very low in the FMCG products, but at the same time the market size is much large in the rural area. The companies can reduce their prices by cutting the costs on the packaging because the rural consumers don't need attractive packaging. Application of 4A* is also a major task for the major companies in this area. Rural market has an untapped potential like rain but it is different from the urban market so it requires the different marketing strategies and marketer has to meet the challenges to be successful in rural market.

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