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### DEVELOPMENT OF RURAL MARKETING IN INDIA: A CONCEPTUAL FRAMEWORK

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#### ABSTRACT—

The concept of Rural Marketing has always played an influential role in the Indian Economy. Despite the phenomenal growth of the urban Indian middle class, over 620 million of the population still lives in more than half a million Indian villages, thus validating Mahatma Gandhi's statement that "India lives in her villages". The rural market is not a interesting to assess the current situation in rural India, and analyse macro-level patterns and trends while appreciating the fact that differences do exist at the micro level. This paper is a modest attempt to study the development of rural market in India.



separate entity in itself and is highly influenced by the sociological and behavioral factors operating in the country. With the rural residents accounting for around 627 million it makes up exactly 74.3 percent of the total population. This sizeable segment, commonly referred to as the 'bottom of the pyramid', naturally presents a huge opportunity for companies. It is, therefore,

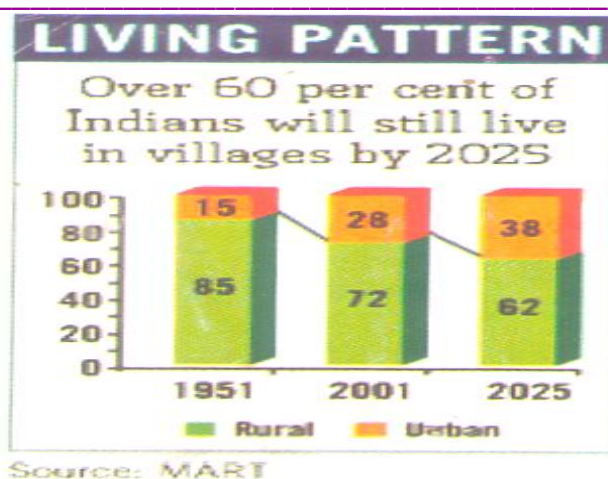
**KEY WORDS:** Homogenous, Rural Consumption, Rural Marketing, Untapped Market.

#### INTRODUCTION

Going by the latest estimates, About 285 million live in urban India whereas 627 million reside in rural areas, constituting 74% of India's population they make up the population of 6,27,000 villages. Estimated sizes of the rural markets vary, for example, a recent survey by the National Council of Applied Economic Research reveals there are 33 million households in rural India, and upper estimates on the other hand quote a figure of 42 million households, or about 720 million consumers. These are significant numbers by any yardstick.

According to the NCAER study, there are almost twice as many 'lower middle income' households in rural areas as 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.- This gap is only expected to narrow in the coming decade. Rural Consumptions in India

Fig-1



Rural Consumption patterns are suggesting a shift from sustenance driven consumption through a near parity between amount of expenditure on food and non-food items. Moreover, rural consumption expenditure is growing at nearly double the rate of urban consumption expenditure growth. The 61st round of the National Sample Survey (NSs) report 2004-05 on consumer expenditure in rural and urban areas reveals that the average monthly per capita consumption expenditure (average MPCE) in rural areas to be Rs 559, a bit more than half of urban India. The emerging pattern of rural consumption is now showing a near balance between the amount spent of food items and non-food items. While “ food items account for 55 per cent of the total consumption expenditure, non-food items like fuel and lighting, clothing and footwear, education, medical, miscellaneous consumer goods, conveyance, other consumer services and durable goods accounted for 10,5,3,7,6,4,4 and 3 percent respectively. Until 2000, food consumption expenditure allocated 62 percent of total consumption expenditure. It is worth nothing that there has not been a fall in the real expenditure on food, indeed per capita real spending on food has grown by over 3 percent. At the same time, non – food items registered an increase of 17 percent over a period of five years since 2000.

**Table 1: Distribution of Population in villages in India**

Population (Number)	No. of villages	Proportion of total villagers (%)
Less than 500 people	2,36,004	37.00
Between 500 and 999	1,58,124	25.00
Between 1000 and 4999	2,21,040	35.00
Between 5000 and 9999	15,058	2.00
More than 10,000	3,976	1.00
Total	6,34,202	100.00

Source: Census of India, 2011

Perhaps the most striking factor is here that a big majority (about 62 percent) of villages have a population below 1,000 and only 3 percent of the villages above 5000. Most villages with less than 500 people do not have any shops. These characteristics point toward the complexities of distribution and logistics management. Industries all over the world and particularly in India are quickly coming around to view the rural poor less as victims or a burden and more as value-conscious consumers. “The future lies with those companies who see the poor as their customers” says economist C.K. Prahalad in his book *The fortune at the Bottom of the Pyramid*.

He clearly pinpoints on the raw fact that there is vast potential for profits in the rural market. He says, globally the bottom of the (economic) pyramid consists of 4 billion people living on less than \$2 per

day. If we stop thinking of the poor as victims or as a burden and start recognizing them as value – conscious consumers, a whole new world of opportunity will open up. Prahalad suggests that four billion poor can be the engine of the next round of global trade and prosperity, and can be a source of innovations. As urban markets become saturated, more businesses are retooling their marketing strategies, and in many a case their product targeting rural consumers with tiny incomes but rising aspirations, giving birth to a new era of rural marketing.

To expand the market by tapping the countryside, more and more MNC's are fraying into Indian's rural markets. Among those that have made some headway are Hindustan Uilever, ITC, Coca-Cola, LG Electronics, Britannia, LIC, HDFC Standard Life, ICICI, Philips, Colgate Palmolive and most of the Telecom companies.

### IMPORTANCE OF THE RURAL MARKET

The Importance of the rural market for some FMCG and durable marketers is underlined by the fact that rural market accounts for 55 percent of LIC policies, 70 percent of toilet soaps, 50 percent of TV, Fans, Bicycles, Tea, Wrist watches, washing soap, blades, salt, tooth powder and 38 percent of all two-wheelers purchased of the two million plus BSNL Connections, 50% is from small towns/villages and out of 20 million Rediffmail signups, 60% are from small towns. The gigantic market size of rural markets (in Indian Rupees) is self evident:

FMCG - 6500 Billion

Agri - Inputs - 4500 Billion

Consumer Durable's - 500 Billion

Automobiles (2 and 4 wheelers) - 800 Billion.

The figure tells us that the rural market is growing much faster than the urban counterpart. A recent forecast revealed that the Indian cellular services revenue will grow at a rate of 18.4 percent with most of the growth coming from rural markets.

The rural market already contributes more than half of FMCG and durable sales, 100% of agri-products sales, and nearly 40% of automobile sales. In the last few years, the biggest push to Indian's mobile telephone story has come from the hinterland where 175 million connections have been sold- and this is expected to rise to more than 440 millions by 2014. These figures will only become bigger as the Indian growth story spreads further into Indian's hinterlands. The rural market of India is

- a geographically scattered market
- marked by low purchasing power/low per capita income
- continue to be traditional-bound community, with religion, culture and tradition strongly influencing their consumption habits
- cultural diversity and heterogeneous market
- characterised by variable development
- having low literacy level
- by and large, the rural consumers are marked by a conservative and tradition-bound Lifestyle.

Manufacturing companies, telecom companies, FMCG MNCs, Service providers, multitude of entrepreneurs in the unorganized sector and even the government constitute the dominant players in the rural market in India. The rural consumer remains dynamic and acquisition of wealth has made him open to new avenues of consumption.

Spurt in purchasing power of rural population in recent past has fuelled lot of interest in rural India. Traditionally considered a market only for low end products, corporations are today seeing rural market as the new growth avenue. Corporations can only ignore the rural Indian market at their own peril. A case in point is a survey conducted by McKinsey in 2008 that postulates a rural India with a population of 630 million (approximately) become bigger than total consumer market in countries such as South Korea or Canada in another 20 years. At that point of time it would have grown at least four times for its existing size.

## RURAL MARKET IS NOT HOMOGENEOUS

At the same time, Indian rural markets are often misunderstood. A clear distinction has to be made with regard to the reality versus the image of rural India. The rural market is not homogeneous. The individual sections of this market are not too big, although the overall size is large. There are geographical, demographical, statistical, and logistical differences. Positioning and realities regarding the potential of each of these market segments differ and lie at the very core of forming the strategy for the rural markets. Different target segments require different marketing approach and rural market is no exception to it. Experience suggests that mere extension of urban marketing strategies in rural India will fail unless they are customized to the needs, ethos of rural India. The classic rules of each and coverage of the media are shattered as the market is undergoing a dynamic change every passing year where more traditional mediums like television is bypassed and replaced by mobile communication nets.

Rural marketing is an evolving concept, and as a part of any economy has untapped potential. Improvement in infrastructure and reach promise a bright future for those intending to go rural. Any macro-level strategy for these markets should focus on

- availability
- accessibility and
- affordability.

Constant scanning and sieving of ideas and plans is essential at all times. There is no doubt that great divide exist between Urban India and Rural Bharat. However, a silent transformation has already begin, a seamless integration of rural and urban market in underway. Rural market offers tremendous potential of growth for corporations by making their products and services available to these areas.<sup>17</sup>

When rural customers discover the new and exciting choice of brands available in urban markets, a demand for these brands is created in rural areas. When Titan found rural consumers purchasing their Sonata brand of quartz watches, they formulated a marketing strategy tailored to the requirements of the large rural market.

## DEVELOPMENT OF RURAL MARKETS

There is an increase in the launch of new products and brands in rural areas. In many product categories like cigarettes, biscuits or soaps, specific brands are developed for rural markets. The rural market, in both durables and nondurables, can be developed through new products and suitable positioning cell phones are ably contributing rural marketing development. This is due to penetration of cell phone services in Rural India.

As per estimates of industry experts, Mobile commerce may cross 70 percent of total e-commerce business. The base behind this estimation is increasing craze of smart phones coupled with day-by-day launch of smart phones with added features. With these features many tasks/activities have got ease to complete. Accordingly, in coming year increase in online purchase fixed.

There are quite a few reasons for the -growing interest in rural markets. Their vast untapped potential, increasing income and purchasing power, improved accessibility and the increasing competition in urban markets make rural markets an attractive destination for jaded marketers of products and services.

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.

## CONCLUSION

Rural markets in India constitute a wide and untapped market for many products and services which are being marketed for the urban masses. it is an extremely price sensitive market with lower income levels

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and therefore a lower ability to pay. The lower revenue generated by rural customers does not immediately offset the return on investments. In rural markets, other factors like word-of-mouth, trust factor and brand loyalty play a greater role than in the urban markets.

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