

Marketing functions and the strategies for Rural Markets – A Study

Conceptual Article by

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Abstract

More than seventy percent of Indian population resides in rural areas. The country's economy depends on agriculture output. Ever since India got independence there has been a gradual improvement in the face of the villages. Though there is a rigorous and instantaneous growth in Urban India, especially after the 91 new economic policy, the rural India also has impacted the economy of the country. This is no surprise because the whole country has been witnessing the consolidation. This is more holistic in nature.

In the very journey of growth it is observed that the rural India also has seen the other face of the success. The very nature of rural markets and the situation prevailing there has been the focus point. The recent trends that have impacted are the rising income levels, improved awareness, improvement in the infrastructure, improved literacy levels. Apart from this it is observed that there has been a change in the attitude of the corporates. Both the public and

private management is realizing that there is a huge potential in rural India. This is more strengthened by the “fortune at the bottom of the pyramid” mantra which has been advocated by C.K. Prahlad.

The above background paves way for the new approach to the marketing in rural markets. This also makes way for the research as to what could be the strategies appropriate to become successful in rural markets. The change in the approach to the product, price, distribution and promotion especially in the rural markets has been the base for this study.

Key words: Rural marketing, Marketing functions and strategies, rural markets

Marketing functions and the strategies for Rural Markets – A Study

Introduction

More than seventy percent of Indian population resides in rural areas. The economy of the country is depending on agriculture output. Ever since India got independence there has been a gradual improvement in the face of the villages. Though there is a rigorous and remarkable growth in Urban India, especially after the 1991 new economic policy, the rural India also has impacted the economy of the country. This is no surprise because the whole country has been witnessing the consolidation. This is more holistic in nature.

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private management is realizing that there is a huge potential in rural India. This is more strengthened by the “fortune at the bottom of the pyramid” mantra which has been advocated by C.K. Prahlad.

To understand more about the rural markets and to set the clear objectives to precede with the research a brief literature review is being made.

Literature review

It is required to go through few research articles to find the research problem and to set the objectives so that the progress would be purposeful. In view of this few articles are browsed and the abstracts have been appended below

Jan Douwe Van Der Ploeg (2002) in the article “ Rural Development: From Practices and Policies towards Theory” states that the modernization paradigm that once dominated policy, practice and theory is being replaced by a new rural development paradigm. Rural development is analyzed as a multi-level, multi-actor and multi-faceted process rooted in historical traditions that represents at all levels a fundamental rupture with the modernization project.

Perlman Ecohost (2007) in an article titled “Trends in the prevalence of smoking in Russia during the transition to a market economy” opines that, it has been shown unequivocally that smoking among women increased markedly during the transition to a market economy in Russia. The already high prevalence of smoking among men has continued to rise.

Ravi Kanbur (1999) in an article “Which Regional Inequality? The Evolution of Rural–Urban and Inland–Coastal Inequality in China from 1983 to 1995” states that While the contribution of rural–urban inequality is much higher than that of inland–coastal inequality in

terms of levels, the trend is very different. The rural–urban contribution has not changed very much over time, but the inland–coastal contribution has increased by several folds.

After having gone through the literature review of few research articles in the field of rural marketing it is felt that there is a need to understand how the marketing mix strategies impact the rural marketing.

Objectives of the study

Following objectives are tentatively framed to proceed with the research.

1. To study the impact of marketing mix strategies on rural marketing.
2. To understand how the product strategies will have to be redefined to suit rural markets
3. To assess the significance of rural distribution system
4. To understand the factors influencing the rural markets.

Indian economy and Rural Marketing

The concept of rural marketing in Indian economy has always played an influential role in the lives of people. In India, leaving out a few metropolitan cities, all the districts and industrial townships are connected with rural markets. The rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioral factors operating in the country. The rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population. The rural markets in India bring in bigger revenues in the country, as the rural regions comprise of the maximum consumers in this country. The rural market in Indian economy generates almost more than half of the country's income. Rural marketing in Indian economy can be classified under two broad categories. These are (a) the

markets for consumer goods that comprise of both durable and non-durable goods, and (b) the markets for agricultural inputs that include fertilizers, pesticides, seeds, and so on.

The concept of rural marketing in India is often been found to form ambiguity in the minds of people who think rural marketing is all about agricultural marketing. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas.

Emerging trends in rural India

India in last almost twenty years has witnessed a remarkable shift in its economic, social and technological environment. The liberalization and privatization policies initiated by the Indian government in early nineties and the subsequent phenomenon of globalization have led to huge inflow of huge foreign investments and entry of large numbers of multinational corporations in India. These companies are mostly operating in BFSI (banking, financial services and insurance), retail, automobile, telecom, consumer durable and IT sectors. Besides many domestic Indian companies, especially those in ICT, automobile, textile and engineering products have also expanded their operations into overseas markets. As products and markets are turning global, companies are facing intense competition both within the domestic as well as in the international markets.

Task of marketers in recent years has become more challenging due to shift in the demographic profile and requirements of customers. Firms operating in industries such as FMCG, telecommunication, insurance, financial services, consumer durable and automobiles are nowadays employing innovative marketing practices for their survival as well as to increase their

market share. These companies are now shifting their focus away from the already saturated metros and tier-I cities to the rural and semi urban towns, to increase their revenues and market base.

However, rural areas have their own limitations in terms of large number of villages with thin population density, accessibility, infrastructure, telecommunication network, illiteracy, social and cultural backwardness and low disposable income. Besides, even though the seventy percent of Indian population resides in the rural areas, the income contributed by the agricultural sector in the total GDP is less than seventeen percent. The majority of rural population has relatively low disposable income as well as consumption rate compared to their urban counterparts. Yet they have aspirations and wants for most of the urban products.

The factors that have contributed to the rising aspirations and demands among rural buyers are increase in literacy levels, migration to urban areas, growth in media and telecommunication network, availability of credit schemes, globalization, cheaper technology products (such as television, mobile, music system, camera, etc.), government sponsored employment generating schemes such as NREGA, and tax concessions and loan waivers. Rural consumer nowadays is no longer ignorant and resigned to his fate. Today a rural buyer not only has purchasing power but also better informed price conscious and demand more value for the money spent. They look for better quality, durability and utility of the products and services offered in the market.

Problems and issues in rural marketing

The rural markets are full of challenges because of its characteristics like illiteracy, distances, vast markets potential, communication, rail and road transportation, distribution of

products and services, understanding consumer behaviour, socio- cultural factors, languages, lack of infrastructural facilities etc. The rural market is so wide and vast that it is difficult to cover and reach. One segment is totally from other segments. Every district, region and state is different from others. The whole India is different in itself and even then it is an ideal example of a country having different cultures. It is incredible India. Knowing Rural India is a very difficult task, its spirit, feelings, warmness, distinctness, shyness, innocence and beyond that. If marketing or sales men try to cheat them, they feel disgusting and try to make distance from these people. Next most important point is that marketing men still don't know real needs of rural consumers. Designing wrong products, services and poor strategy without knowing rural India where their own consumer in the villages lives. It is also difficult to get skilled sales person conversant with rural culture. Though, marketing heads are educated from abroad and top institutions of the country but poor in knowing their consumer. There is gap in their knowledge what they know and what is in the reality about rural consumers. That is why products are getting failures in rural markets.

Marketing functions and the strategies applicable to rural markets

Considering the lack of proper infrastructure in the rural areas, companies have huge potential to design products specifically suited to the rural needs and wants. The marketing mix strategies need to be redefined keeping into consideration the variations in different rural markets.

Product strategies

- **Small unit packing:** Given the low per capita income & purchasing habits of the rural consumers, small unit packages stand a good chance of acceptance in rural market. Single

serve packets or sachets are enormously popular in India. They allow consumers to buy only what they need, experiment with new products, & conserve cash at the same time. This method has been tested by products like shampoos, pickles, biscuits, Vicks cough drops in single tablets, tooth paste, etc. Small packings stand a good chance of acceptance in rural markets. The advantage is that the price is low and the rural consumer can easily afford it. This is because it is very affordable for the lower income group with the deepest market reach making easy access to the end user satisfying him. The small unit packings will definitely attract a large number of rural consumers.

- **New product designs:** Keeping in view the rural life style the manufacturer and the marketing men can think in terms of new product designs. The rural product usage environment is tough because of rough handling, rough roads & frequent power fluctuations. Thus, all these environmental factors must be considered while developing the products meant for rural audience.
- **Sturdy products:** Sturdiness of a product is an important factor for rural consumers. The product should be sturdy enough to stand rough handling, transportation & storage.
- **Brand name:** For identification, the rural consumers do give their own brand name on the name of an item. The fertilizers companies normally use a logo on the fertilizer bags though fertilizers have to be sold only on generic names.

Pricing strategies

- **Low cost/cheap products:** This follows from the product strategy. The price can be kept low by low unit packaging like paisa pack of tea, shampoo sachets, etc. This is a common strategy widely adopted by many manufacturing and marketing concerns.
- **Large volume-low margins:** Marketers have to focus on generating large volumes & not big profit margins on individual products. If they price their product at a level which can lead to good volumes, then they can still generate good returns on the capital employed.

Promotion Strategies

Customized promotional media & messages need to be developed by the organizations to effectively target the rural market. The following strategies can be considered while developing promotional campaigns for the rural markets

- **Conventional & non-conventional media mix:** It is very important for the marketer to achieve success in rural market to build an association with the rural customers which can be done with the help of using the various rural folk media to reach them in their own language and in large numbers.
- **Opinion leader's influence:** As the rural market has limited exposure to mass media and has scattered consumer groups, Word-of-Mouth communication can be used effectively to promote the brands and products.
- **Think global, act local:** Rural population is diverse, but the commonalities of their ethos & simple living habits need to be understood for advertising to succeed.

- **Choice of brand ambassador:** Brand Ambassador for the rural markets needs to be picked carefully as urban successes might not get replicated in the rural markets.
- **Simplicity & clarity:** All promotional messages targeted at rural audience need to be simple & clear, which can be easily understood, and they should not include any confusing elements.

Distribution Strategy

Many companies view the rural markets as great opportunity for expanding their sales but find distribution as a major problem. Unfortunately, it is almost impossible to transplant strategies which work successfully in urban markets onto rural markets, namely, extensive retailing and sustained pull generation through mass media advertising.

- **Coverage of villages with 2,000 and above population:** Ideally, coverage of villages with up to 2,000 and above population could be the break-even point for a distribution setup.
- **Segmentation:** The number of villages in India is huge & it is not viable to contact & serve all villages directly. Therefore, companies or distributors can carefully examine the market potential of different villages & target the villages that can be served in a financially viable manner through an organized distribution effort.
- **Use of co-operative societies:** There are over 3 lacks co-operative societies operating in rural areas for different purposes like marketing cooperatives, farmers service cooperatives and other multipurpose cooperatives.

- **Distribution up to feeder markets:** Keeping in view the hierarchy of the rural villages, feeder markets or mandi towns offer excellent scope for distribution.
- **Utilization of public distributor system:** The PDS in the country is fairly well organized. The revamped PDS places more emphasis on reaching remote rural areas like the hills and tribals.

Conclusion

It is very pertinent that manufacturing and marketing companies will have to really gain inroads in the rural markets in order to achieve better growth in future. There is huge potential and definitely there is lot of money in rural India because of the increase in percapita income. There is need to understand the roadblocks carefully. The companies entering into the rural markets need do understand the strategic reasons and not for tactical gains as rural consumer is still behaves like 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 behaviour and unorganized market structure. The companies need to understand research and implement the right marketing mix strategies like product, price, and place promotion in the rural markets separately. 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 markets.

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