

Rural Marketing Strategies, Issues and Challenges

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Abstract - Rural markets offer a great scope for a concentrated marketing effort because of the recent increase in the rural incomes. Such incomes will increase faster because of better production and higher prices for agricultural commodities. Rural marketing is a developing concept, and the marketers have realized the opportunity of growth in the market recently. Any macro level strategy for these markets should focus on availability, accessibility and affordability. Focused attention needs to be paid to market research, key decision areas, problems and rural marketing environment, to reduce the uncertainty in dealing with these markets. This paper discusses the rural marketing and its strategies and also focuses on issues and challenges, problems, key decision areas and rural marketing environment.

Keywords: Rural Market, Marketing, Issues and Challenges, Key Decision areas, Problems and Rural Marketing Environment.

I. INTRODUCTION

Broadly rural marketing incorporates the marketing of agricultural products, rural industries products and services of many kinds. The trade channels for different types of commodities available in rural areas are private, co-operatives, processors, regulated markets and state agencies. In no sense, a social cluster or village economy as at whole can, be developed without effective and efficient rural marketing. Very little attention has been paid in the planning era towards the development of rural marketing. In fact marketing is a dynamic state of affairs and is part and parcel of the whole economy. Thus production and marketing are the two facets of a coin. Rural marketing constitutes the nerve centre of rural development activities.

Rural marketing is a two way marketing process. The content now encompasses not only marketing of products which flow to rural areas, but also products which flow to urban areas from rural areas. In addition, it also includes the marketing in the rural areas. As the rural marketing is a two-way process, this article attempts to highlight Issues and challenges associated with the rural marketing strategies. It covers the marketing strategies aspects of rural produce with special reference to products and services within the rural areas.

A few years back, the rural market in India was an unknown area and many companies were not interested in entering the rural markets in India, as the demand pattern was fragile, seasonal, poor purchasing power of people, etc. Communication, transportation and infrastructure were the main blocks for growth of rural markets and penetration of urban products in rural markets. But these things of the past

have been changed. Now everyone is looking at rural markets as the next growth driver in Indian market.

As a result of the Green Revolution in agriculture and White Revolution in diary and other developmental activities implemented through the Five Year Plans, the productivity, prosperity and disposable incomes of the rural population have improved. Thus, the standard of living and life-styles of Indian rural people have also changed for better living. This situation has generated demand for a variety of fast moving consumer products, consumer durables and services.

In the past, rural marketing was reckoned only as marketing of agricultural produce. Because of special interest taken by the Government, many regulated markets have been established in our country to facilitate proper marketing of farm produce. Adoption of scientific and commercial farming popularized the use of inputs like chemical fertilizers, pesticides, cattle and poultry feeds, high yielding varieties of seeds, and also tractors, tillers, other farm equipments etc. Because of all these, the scope of rural marketing started widening. The penetration of television also gave an impetus to provide accessibility to marketers into rural India, for promoting consumer products.

II. REVIEW OF LITERATURE

Adi Godrej, chairman of the Godrej group that is in a range of business from real estate and personal care to agro 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 confirmed that rise in rural incomes is keeping pace with urban incomes. From 55 to 58 % of the average urban income in 1994-95, the average rural income has gone up to 63 to 64% by 2001 – 2002 and touched almost 66% in 2004-05.

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.

Now coke's rural growth of 37% far outstrips its urban growth of 24%. Coke is not the first MNC to have cottoned on to the rural lure. It's global rival PepsiCo. took a wider approach to the business when it was given permission to set up shop in India in the late 1980s and investment in food processing and farming was a pre-condition for entry. Project Shakti uses self-help groups across the country to push lever products deeper into the hinterland. Its four-pronged

programme creates income-generating capabilities for under privileged rural women; improves rural quality of life by spreading awareness of best practices in health and hygiene; empowers the rural community by creating access to relevant information through community portals and it also works with NGOs to spread literacy. There are currently over 15,000 Shakti entrepreneurs, most of them women, in 61,400 villages across 12 states. With such an emphasis on rural marketing, consumption patterns are changing and it signals a change in the regulatory environment.

Mahindra & Mahindra Ltd. is India's largest farm equipment company. Its subsidiary, Mahindra Shubhlabh Services, has operations in 11 states, and leverages the strong Mahindra brand, the 7,00,000 strong Mahindra tractor customer base and the 400 plus dealer network, to provide a complete range of products and services to improve farm productivity and establish market linkages to the commodity market chain. Mahindra Krishi Vihar, has been instrumental in increasing the groundnut yield in Rajasthan through a new seed sourced from the state of Maharashtra and it has also introduced a new variety of grapes in Maharashtra. Rural India accounts for a market worth \$27 billion.

III. OBJECTIVES OF THE STUDY

1. To study the strategies of rural marketing.
2. To discuss the issues and challenges of rural marketing.
3. To evaluate the key decision areas in rural marketing.
4. To study the problems of rural marketing.
5. To study about the rural marketing environment.

IV. METHODOLOGY OF THE STUDY

The study is a descriptive method. The Secondary data were collected from different sources, such as, text books, magazines, articles and websites.

V. RURAL MARKETING STRATEGIES

The rural market has changed drastically in the past one decade. A decade ago, the rural market was more unstructured and was not a prioritized target location for corporate. Very few companies, mainly the agro-based ones, were concentrating in these markets. There is no innovative strategies and promotional campaigns. A distribution system did exist, but was feeble. Illiteracy and lack of technology were the other factors leading to the poor reach of products and lower level of awareness amongst villagers. Gradually, corporate realized that there was saturation, stiff competition and clutter in the urban market, and a demand was building up in rural areas

Companies came up with special rural products, like Chic Shampoo sachets @ Re. 1, Parle-G Tikki packs @ Rs.2, customized TVs by LG, Shanti Amla oil by Marico. All these brought positive results for them.

Location plays a big role in marketing. Therefore, if a product is for kids, anganwadis and schools are a good place taps them and their mothers. Similarly, mandis and village influences act as a catalyst in pushing a brand/ roduct.

The following are some of the strategies adopted by Companies for Rural Markets for their Products and

Services:

1. Easy-Way communication :

The companies have realized the importance of proper communication in local language for promoting their products especially in rural market. They have started selling the concept of quality with proper communication and easily understandable way of communications.

2. Changing Pattern of Rural Customers:

Now day's villagers are constantly looking forward for new branded products and good services. Indian customer in rural market was never price sensitive, but they want value for money. They are ready to pay premium for the product if the product is offering some extra utility for the premium.

3. Best Promotion and Quality Perception

Companies with new technology are properly capable to communicating its products and services to their customer. There is a trade-off between quality a customer perceives and a company wants to communicate. Thus, this positioning of technology is very crucial. The perception of the Indian about the desired product is changing. Now they know the difference between the products and the utilities derived out of it.

4. Promoting Indian Sports Team:

Companies are promoting Indian sports team so that they can associate themselves with India. With this, they can influence Indian mindset like during cricket world cup. For example Hero Honda has launched a campaign "Dhak Dhak Go" similarly; other companies have also launched campaigns during world cup. Product/Services Campaign like "Be Indian" Companies are now talking about Be Indian. It is a normal tendency of an Indian to try to associate him/her with the product. If he/she can visualize himself/herself with the product, he/she becomes loyal to it.

5. Developing Specific Products:

Many companies are developing rural-specific products. Keeping into consideration the requirements, a firm develops these products. Electrolux is working on a made-for India fridge designed to serve basic purposes: chill drinking water, keep cooked food fresh, and to withstand long power cuts. In Service sector like Insurance they are focusing on micro insurance products for rural segments.

6. Effective Media modes of communication:

Traditional media or the modern, media used for rural marketing is being used by companies. The traditional media include melas, puppetry, folk theatre etc. while the modern media includes T.V, Radio and E-Chaupal. LIC uses puppets to educate rural masses about its insurance policies. Govt. of India uses puppetry in its campaigns to press ahead social issues.

7. Patriotism with Products and Services:

Companies are associating themselves with India by talking about India, by saying that they are Indian and they are more patriotic. Using Indian Tricolor while doing advertisement during Independence day and Republic day like Nokia has designed a new cellular phone 5110, with the India tricolor and a ringing tone of "Sare Jahan se achcha".

8. Focus on Customer Requirement:

All customers want value for their money. They do not see any value associated with the products. They aim for the basic

functionality. However, if the sellers provide frills free of cost they are happy with that. They are happy with such a high technology that can fulfill their needs. For example Nokia and Reliance have launched a simple product, which has captured the market.

9. Adopting Best localized way of distributing channels:

Proper distribution channels are recognized by companies. The distribution channel could be big scale like super markets. They thought that a similar system can be grown in India. However, they were wrong; soon they realized that to succeed in India they have to reach the nook and the corner of the country. They have to reach the “local Paanwala, Local Baniya or Kirana Shop Owners” only they can succeed. Big multinational companies in India capture the rural market share in India if they have to go the local market shoe sellers and with the low priced products.

VI. ISSUES AND CHALLENGES IN RURAL MARKETING

A. ISSUES

India is ingenious with a good degree of ethnic, cultural and regional diversity. About 3/4th of the total population resides in the rural areas and majority of them are dependent upon agriculture for their subsistence. Agriculture contributes about 24.7% to the Gross Domestic Product (GDP) of the country. It also contributes about 13.1% to the total Indian exports. This sector provides employment to 58.4% of the country's workforce and livelihood to more than 650 million people. Despite this fact, the condition of these people has not shown any significant improvement. The development of the nation largely depends upon the development of the rural population.

Rural market witnesses a high demand and it is the rural segment of market that contributes more profit than its urban counterpart. Rural marketing broadly involves reaching customers, understanding their wants, supply of goods and services, and ultimately satisfying consumers, leading to more sales. The general impression is that only agricultural inputs like seeds, fertilizers, pesticides, cattle feed and agricultural machinery has a potential for growth in the rural market. However, there is a growing market for consumer goods now. It has been estimated the rural market is growing at the rate of five times its urban counterpart.

B. CHALLENGES

Despite the fact that rural markets are a huge attraction to marketers, it is not easy to enter the market and take a sizeable share of the market, in the short time due to the following reasons:-

1. Low Literacy:

There are not enough opportunities for education in rural areas. The literacy level is as low (36%) when compared to all-India average of 52%.

2. Communication Problems:

Facilities such as telephone, fax and telegram are rather poor in rural areas.

3. Traditional Life:

Life in rural areas is still governed by customs and traditions and people do not easily adapt new practices. For example, even rich and educated class of farmers does not wear jeans or branded shoes.

4. Media for Promotions:

Television has made a great impact and large audience has been exposed to this medium. Radio reaches large population in rural areas at a relatively low cost. However, reach of formal media is low in rural households. Therefore, the market has to undertake specific sales promotion activities in rural areas like participating in meals of fairs.

5. Seasonal Demand:

Demand for goods in rural markets depends 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.

6. Transportation:

Many rural areas are not connected by rail transport. Kacha roads become unserviceable during the monsoon and interior villages get isolated.

7. Distribution:

An effective distribution system requires village level shopkeeper, Mandal/Taluka-level wholesaler or preferred dealer, distributor or stockiest at district level and company-owned depot or consignment distribution at state level. The presence of too many tiers in the distribution system increases the cost of distribution.

8. Career in Rural Market:

While rural marketing offers a challenging career, a rural sales person should require certain qualifications and specialized talent.

9. Buying Decisions:

Rural consumers are cautious in buying and decisions are slow and delayed. They like to give a trial and only after satisfying personally, they buy the product.

10. Cultural Factors:

Culture is a system of shared values, beliefs and perceptions that influence the behavior of consumers. There are different groups based on religion, caste, occupation, income, age, education and politics and each group exerts influence on the behavior of people in villages. There is a belief among rural people that experience is more important than formal education and they respect salespersons who can offer practical solutions to their problems. Therefore, it is desirable that sales persons, especially those who have been brought up in cities are given a through training consisting of both theory and practical aspects of village life. The training will help these sales persons to align themselves with the market retailers and settle down smoothly in their jobs.

VII. KEY DECISION AREAS IN RURAL MARKETING

Marketing in rural India requires hard work. While rural India does constitute an attractive and sizeable market, firms have to strive hard for securing a share of it. If rural markets have to be developed, each of the marketing elements - products, price, distribution and promotion, should be

performed in a different manner. We shall examine the problems.

1. Rural Market Segmentation

A marketer has certain important sources of data available and can consider several variables, to segment these markets. There are no hard and fast rules regarding what variables to choose. The following variables seem to be relevant to most of the rural areas in India and can be considered in determining the different market segments:

- Geographic location
- Population density
- Gender and age
- Occupation
- Income levels
- Socio-cultural considerations
- Language and literacy
- Lifestyle etc.

Other than the conventional methods of segmentation, we can also use few more variables as shown below:

- Land holding pattern (size of holding)
- Irrigation facilities
- Cropping pattern
- Educational level
- Proximity to cities
- Occupation categories (labourer, farmer, employees etc.)

2. Product Planning

Companies have to consider whether the existing successful products available in the urban areas can be marketed in the rural markets without any modification. It is advisable for companies first to determine what consumers in the rural markets need and want, and then select products from the available ones.

The following points must be kept when developing products for rural markets:

- Product must be simple in design-simple to understand, operate, maintain and repair.
- Functional aspects rather than sophisticated looks should be stressed.
- Price should be within the economic competence of rural consumers.
- Packaging should be simple, facilitate product use, should not add to cost and lead to economy in use of the product.
- The brand name should suit rural background.

3. Pricing Decision

Pricing strategies are linked more to product positioning and packaging. Product packaging and presentation offer scope for keeping the prices low to suit the purchasing power of rural consumers but is wrong to presume that only cheap brands or low-priced products sell in rural markets. The decision of low income rural consumers is to buy something which has a value for its price, that is utility value. Rural consumers are ready to buy higher-priced products particularly after harvesting time and festival season. The price and positioning decisions are therefore influenced not just by the income received but also on when it is received and how it is allocated among different needs of the rural consumers.

4. Distribution Strategies

It is well known that transportation infrastructure in most parts of rural India is in poor shape. Though our country has the third largest system of railways in the world, many parts of rural India remain outside the rail network. Nearly 50% of the 570,000 villages in our country have no proper roads. While some improvements are taking place on account of the various road development programmes, many areas still have bad roads and most of the interiors have hardly any roads worth mentioning. As regards transport carriers, the most common ones are the delivery vans and the animal drawn carts. Because of the difficulty in accessibility, delivery of products and services continues to be difficult in rural areas.

5. Promotion

Rural India has many fairs and festivals and marketers use these platforms for brand promotions. There is also use of mobile van publicity in rural areas where vans serve as a vehicle of product distribution and brand promotions. Salesman with vans moves from village to village. Vans are fitted with projecting equipment or music system to catch the attention of people and announce for their assembly at some point in the village for entertainment. The salesman can then talk about his product and do spot selling. Wherever possible on the basis of these sales a local dealer may be motivated to keep stocks. Rural marketers use demonstrators for product display and promotion in village fairs and festivals.

6. Communication and Personal Selling

Rural customers have poor literacy level, the scope for using print media-magazines, newspapers, periodicals etc. is not viable alternative. The situation is further compounded by the linguistic diversity. In the urban areas, marketing communication can be managed by and large with English and Hindi. Marketing communication in the rural area has to necessarily be in the local language.

VIII. PROBLEMS OF RURAL MARKETING

The problems of rural marketing are continuing in spite of efforts to improve in a 9th five year plan. The position is improving but slowly the rural marketer has many challenges. But the vast and expanding markets call for good marketing strategies to create win situations to all parties in the chain of rural marketing. The problems of rural marketing are as follows:-

1. Underdeveloped People

Rural society is found by tradition, old customs, practices etc. The impact of modern science and technology have made very less impact of the old beliefs which are still continuing.

2. Underdeveloped Market

Rural markets are not developing because of inadequate banking and credit facilities. Rural market needs banks to enable remittance, to transact on credit basis and to obtain credit support from the bank. At present every 48th village in India only has bank.

3. Poor or improper communication facilities

Most villages even today largely depend on telegrams and phones for their communication needs. Print media and visual

media (Television cinema) etc. reaches only about 20% of rural Indians.

4. Many languages

India is a country of many languages. Language becomes a barrier in effective communication in the marketing efforts. The languages vary from state to state, place to place, and district to district. There are now 18 schedule national languages.

5. Vastness and unevenly spread

India is a vast and approximately 3214 km from North to South and 2933 km from East to West.

Rural market consists of approximately 75 crores rural consumers spread across approximately 638,365 villages. Despite the urban migration, the rural areas continue to be the place of living for a vast majority Indians.

6. Low per capita income:

Most farmers have small lands and many villages are brought prone, this result in low per capita income.

Low per capita income results in low consumption pattern as compared to the urban population.

The marketers faces challenges in rural marketing to decide about quantities, frequency of distributions, package size etc. due to the low per capita income of the rural people.

7. Poor infrastructure facilities:

Infrastructure facilities like roads, warehouses, power etc. are inadequate in rural areas. Infrastructural costs are very high and impact adversely in the rural market activities.

8. Seasonal demand:

Rural economic is seasonal, Rural people have two seasonal demands namely, khariff and rabi. Villages have money mostly in this seasons. As village incomes are seasonal, demands are also.

RURAL MARKETING ENVIRONMENT:

An environment is that which surrounds an organization. It was sum total of external factors and made up of tangible and intangible factors / both controllable and uncontrollable. Rural marketing is basically focused marketing activity of an organization. The environment out lines threats and opportunities of the market.

The Rural marketing environment is complex and is changing continuously. The marketing organization should foresee and adopt strategies to change its requirements in the market. One which doesn't change perishes. An adaptive organization can stand competition or have a modest growth. An organization which makes its effective marketing plans and its own strategies or a creative one will prosper and creates

A. Social Changes:-

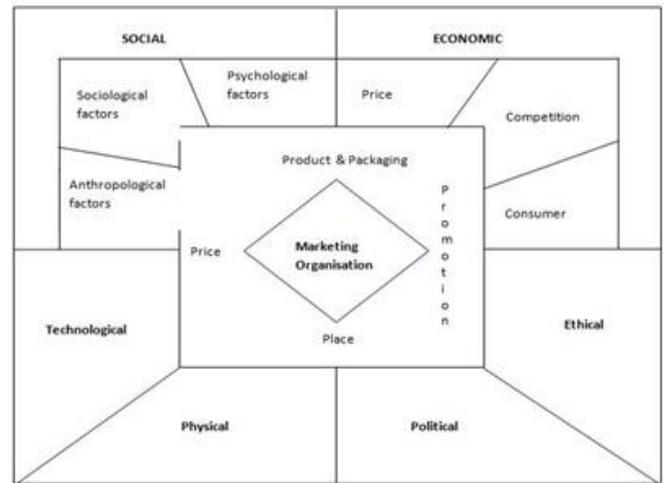
These consist of three factors. They are:-

a. Sociological factors:-

Consumer society or the community is important. The consumer life style is influenced by the social set up.

The social constitution and changes influence customer habits, taste, and lifestyles.

RURAL MARKETING ENVIRONMENT CHART



b. Anthropological factors:-

The reasonable cultures and sub-cultures and living patterns influence advertising, sales promotion, selling

c. Psychological factors:-

Consumer behavior attitudes personality and mental make ups are unique. The study of behavior is vital to evolve marketing mix.

B. Economic changes:-

These consist of three factors. They are:-

a. Competition:-

A good and healthy competition brings in good and overall improvement in economic activities. It also brings good quality, good quantity and price.

b. Consumers:-

The consumers today are quite knowledgeable and choosy. His progress and well being should be the aim of any economic activity.

c. Price:-

Pricing is a delicate issue where it should be marketed friendly, not too high or too little. The marketers have to strategies and packing. The consumers in east India have different taste. Keep in mind to get descent returns on investment and effects of producers and marketers.

C. Ethical changes:-

Business minus ethical values brings degeneration. In the long run it brings problems. No standardization, exploitation and falsification are main ethical values in such organization.

D. Political changes:-

The government policies towards trade and commerce, internal taxation and preferential treatments have an influence on the marketing strategies. The marketing environment has to meet the political frame work in which a government is made to work.

E. Physical changes:-

The infrastructure availability for movement and storage of goods play an important role in the physical distribution of goods and reaching the consumers. Efficient and cheaper logistics help the market in a big way.

F. Technological changes:-

The fast changing science and technology gives a cutting edge to the marketing of products. The changes warrant

changes in marketing, inputs and strategies. Faster and efficient communication and transport systems have speeded up marketer. The capital is made to work faster and harder. The marketer has to use these new marketing tools and facilities in designing and implementing his marketing strategies which are adaptive to the change in environment and ensure success.

IX. CONCLUSION

Rural marketing is a developing concept, and as a part of any economy has untapped potential; marketers have realized the opportunity recently. 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. 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.

Several companies trying to reach out to rural consumers are exploring alternative cost effective channels. Direct selling through company delivery vans, syndicated distribution between non-competitive marketers, setting up of temporary stalls in rural melas/ haats are few successful examples. The Self- Help Groups are offered chance to become company's local small scale distributor in the rural areas. The groups, typically of 15 to 20 people, buy a small stock of items such as soap, detergent or shampoo and then sell directly to consumers in their homes.

In concluding remark, if the company wants to capture the rural market, they must first carry on the detailed and earnest analysis of the countryside goal market, aiming at the particular characteristics of the rural market, and utilizing different marketing strategy according to concrete situations.

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