

# A Case Study on: The Critical Inhibitions in Successful Rural Marketing in India

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**Abstract-** It has rightly been said by the famous industrialist Adi Godrej that “It is not the rural markets, but us who are sleeping” as approximately 69% of the Indian population according to the latest census (Census 2011) is living in rural areas, thus posing a vast scope of development of these markets. With the advent of green revolution in India the disposable income of rural India has consistently increased. In order to attain minimum standard of living in the rural areas Government of India has propagated a number of schemes like Bharat Nirman, MGNREGA, Indira Awaas Yojna, Pradhan Mantri Gram Sadak Yojna etc which are relevant to growth of the rural infrastructure and the development of rural sector. During the earlier stages rural consumer was summarized as the one who needed fertilizers, pesticides, insecticides, seeds etc for better crop production. This trend is now changing slowly with rising income and mushrooming middle class across the country, various companies are now focusing on tapping rural market potential. Rural marketing now refers evidently to marketing of FMCG and Consumer durable goods etc. in rural areas. But it is well said that all that glitters is not gold, as marketers have to bite the dust in order to market their products in rural areas. A case study on the critical inhibitions faced by the marketers in successful rural marketing has been prepared based on the literature reviews.

**Keywords-** Rural India, major drivers, critical inhibitions.

## I. INTRODUCTION:

Rural India has huge market potential as almost 69 percent of the total population is living in rural areas. With the developmental schemes of Government of India rural India is also going through series of changes with the increasing employment opportunities and rising income levels of the rural population. India's rural population is 12 percent of the total population of the world and thus has a huge untapped potential. Rural markets are an important segment of the overall economy of the country and are different from other markets like commodity markets; stock markets etc. and play a significant role in the overall development of the country. This can be assessed from the fact that nearly 69 per cent population, 56 per cent of income, 64 per cent of its expenditure and 33 per cent of its savings are coming from rural India (Kashyap 2012).

## II. THE MAJOR DRIVERS FOR SIGNIFICANT CHANGE IN RURAL ECONOMY:

1. **The changing rural economic environment-** Earlier the rural economy was described as the one which is slow growth and subsistence agriculture economy but now the rural economy has changed to a fast growth economy due to economic liberalisation and government led developmental schemes that have opened the rural economy. Considering that rural India is not dependent on real estate, stock markets or corporate jobs—sectors that tanked during the 2008-09 economic slowdown that affected urban markets—it is reason enough for the companies to service this market sincerely.
2. **Middle income & above households-** There are as many ‘middle income and above’ households in rural areas as there are in urban areas and almost twice as many ‘lower middle income’ households in rural areas as in urban areas (Bandyopadhyaya 2007). The households belonging to the middle-income and above categories that constitute the bulk of the consuming class had been increasing steadily over the years in rural areas. The fact is that the urban consumers have to incur a higher cost of living while the rural population has higher levels of disposable income for the same levels of income
3. **Farm Sector Growth-** Farm sector has undergone a significant change during the course of time, now India has become a food- grain surplus economy from the food- grain scare economy in the past. India now is amongst top countries in the production of major crops like sugarcane wheat, rice, pulses, cotton, fruits and vegetables, milk & dairy-products etc. Also there is significant increase in the production of cash crops like sugarcane, cotton etc. in the recent past owing to which the income of the farmers have increased. Also there has been significant increase in the Minimum Support Prices declared by the Government every year for the crops like wheat, rice, cotton, pulses etc. which has further added to the overall increase in the rural income.
4. **Growth of non- farm sector-** All secondary and tertiary activities which are not included in agriculture comprises of the non-farm sector eg. Cotton textiles, handicrafts etc is secondary non-farm sector and trade, transport, food business etc. is tertiary non-farm sector. This sector has contributed 60 percent to the GDP of India and is expected to increase upto 70 percent by 2020 as shown in figure 1.

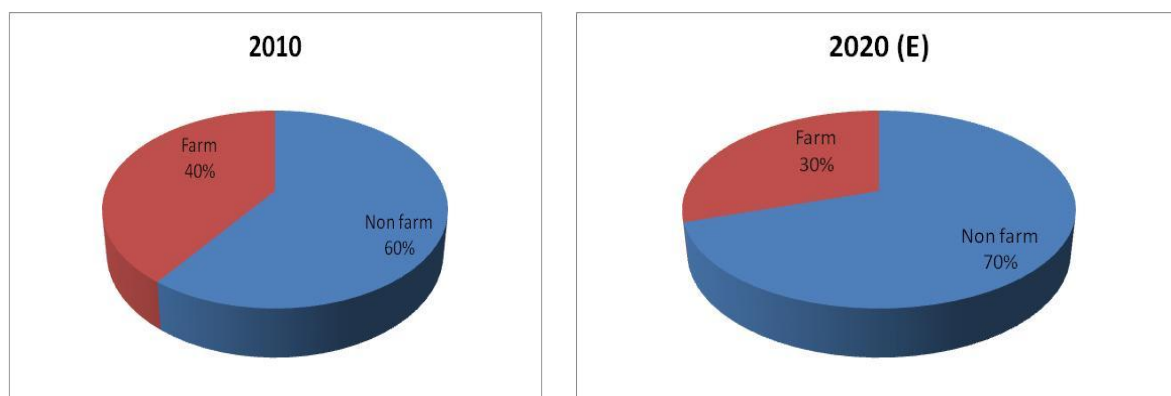


Fig.1- Growing Non-Farm Income

Source- Kashyap, 2012

5. **India is a young country-** Almost 50 percent of India's population is under 25 years out of which almost 70 percent live in rural areas that have been underserved for years (Kashyap 2012). Therefore, a serious focus has to be given to the young people by the marketers in order to remain competitive (Bishnoi et al.2009; Singh 2009).

6. **Development of the retail infrastructure in rural areas-** Although traditional retail outlets form the core of rural India but along with that retail industry is significantly trying to tap rural and semi-urban markets. It is in its nascent stages and has a long way to go in order to achieve success and has to pass through number of challenges on its way (Srivastava 2008). Some industrial groups that have forayed into the rural markets are ITC Choupal Sagar, Tata's Kisan Sansar, Godrej group's Aadhar etc.

7. **Marketers now focusing on the rural consumer-** Rural consumer were ignored for a long time by the marketers but things are now changing slowly as they have identified the huge potential in this untapped market. There are various reasons for marketers to focus on this segment. One of the major reasons being the saturation of the urban markets. After flourishing and gaining huge profits from the urban markets, the intense competition in the urban areas have decreased the brand share, increased price wars and further reduced profit margins of the firms (Rajagopal 2009). This led the firms to think out of the box and led to the focus on rural consumer with huge untapped potential. This urban saturation (Mathur 2010) has led to the era of rural marketing.

8. **Women as the growth drivers-** The significant development in rural India have impacted the lives of millions including women. Rural women today are empowered, confident, and knowledgeable and have made their presence felt in every walk of life. They are working and have money at their disposal and are becoming the primary decision makers in the family for purchase of various kinds of products (Vasavada-oza et al. 2012). Therefore, marketers can take the advantage of women empowerment in order to successfully market their products in rural areas by understanding and satisfying the needs and wants of the women (Kar et al. 2008).

### III. EXISTENCE OF A NUMBER OF CONNOTATIONS FOR RURAL:

Although, there are significant changes in rural areas in terms of growth, increased disposable income, mushrooming middle class, increased Government spending in various schemes for overall development in these areas, but still a lot is required to be done in order to make it even more attractive market place. As of now, what do we actually mean by rural (Modi, 2009) in itself has many meaning and connotations as depicted in Table 1.

<u>Conceptualization of Rural</u>	<u>Users</u>	<u>Criteria Used</u>
Census variables	RBI NABARD Planning-Commission LG-Electronics	Population up to 10,000 Population up to 10,000 Population up to 15,000 All areas other than seven metros
Urban-Rural dichotomy Environment,  population,	Jha (1988)	Occupation,  Density of population, Heterogeneity and homogeneity of the  Social differentiation and

System	Stratification, Mobility & of interactions.
Rural as a system of social relationships rural the rich	Opportunity to study the social systems and define set of criteria
Rural as a state-of-mind psychographics	Opportunity to use <u>to define rural</u>

Table 1: Classification of the Literature Based on their Conceptualization of Rural  
Source: Modi, 2009

The census variables have been the most popular way of defining rural. The census of India provides a negative definition of 'rural' as something, which is not urban. 'Urban' area according to the census has been defined as all the places with municipality, corporation, cantonment, notified town area, or all other places satisfying the criteria such as, minimum population of 5,000, at least 75 per cent of the male working force in non-agriculture pursuit and population density of 400 per square kilometre (Modi,2009). A complex set of factors influences marketing in rural areas, rural consumer behaviour is extremely complex and different from that of the urban consumers and hence a single strategy approach do not work for marketers in order to market their products in rural and urban areas e.g. social norms, traditions, cast, seasonality of agricultural production etc. influences the rural consumer behaviour (Erda, 2008).

There are a number of inhibitions that averse marketer in successful rural marketing. These inhibitions affect the overall marketing strategy in rural areas. If marketers have to succeed themselves in creating a place in the hinterland they have no option but to take care of these inhibitions while planning to foray into rural segment.

**Major critical inhibitions faced by marketers in rural areas are:**

1. **Highly scattered rural population with low population density-** There are around 640000 villages in rural India as against 7900 plus towns (census 2011) and population density is also very low in many areas which makes marketing of products a herculean task in rural areas. Further that worsens the situation is the fact that villages which are only a few kilometres away have altogether different needs and attitudes (Hundal 2006), which further adds to transportation and advertising cost in such heterogeneous markets making it extremely expensive and thus becoming a major inhibition towards successful marketing in these areas.
2. **Distribution and infrastructure** - Distribution may be described as the backbone for success of any product in an area. However, availability remains a big challenge in rural areas, it is easier to distribute products in 7900 plus towns rather than 640000 plus scattered and heterogeneous villages (Kashyap 2012). Another major drawback is improper transportation network. Due to this it becomes next to impossible to reach many villages. Government is making all efforts to connect villages to all weather roads but the situation of road network is grim and there are many villages where road network is non-existent till now. This inhibition makes it difficult to deliver goods to these areas in a capital efficient manner.
3. **Socio-economic backwardness-** Being a huge country India represents unity in diversity. However it creates lot of inhibitions for marketers because of huge socio-economic backwardness in rural areas and that also differs from State to State, region to region, block to block etc. Economic needs and socio cultural factors of each region and community are different. Thus marketers have to give importance to the social, cultural and economic indicators (Sridhar et al. 2011) of each region while planning to foray into these areas.
4. **Too many languages and dialects-** India is a country of many languages and thus communicating a message to all has to be planned very attentively as the same message may have different meaning in different languages. This is a big challenge for marketers as the product will sell only if the right message is delivered to the consumers. Thus, with so many languages and dialects a single message strategy for large mass is extremely difficult for the marketers (Singh et al. 2012).
5. **Seasonality in purchase of goods-** A major portion of rural population is still dependent on agriculture which itself is dependent upon good monsoon. Good monsoon means good crop and good harvest and thus more money in the hands of the farmers and thus seasonality influences the demand of the rural consumers (Mishra 2010). Most of the expensive purchases are done only during harvesting season as rural consumers happen to have more money at their

disposal during this season. Thus marketers have to plan accordingly while keeping seasonality in purchase of goods in mind.

6. **Fake/ spurious Products** – The sale of fake products is damaging a great share of the branded products in the rural markets which is becoming a big inhibiting factor for marketers to foray in these markets. It is expected that the sale of fake products is about to touch Rs.550 billion in 2013 (TOI, August 2012). There are 113 look-alikes of fairness creams being distributed in rural areas, affecting almost 5% share of fairness cream ‘fair & lovely’ of HUL (Megharajani 2012).

7. **Resistant behaviour of rural people**- Rural consumers resistant to change behaviour is a big inhibiting factor for marketers in order to foray in these markets, it is really difficult to lure rural consumer to buy a particular product (Sikroria 2012). The reason for this resistant behaviour is rural consumer’s lack of experience in market place and unawareness of how to consume the product (Eckhardt et al. 2012) resulting in disempowerment and inhibiting rural consumer to adapt to the message of the marketers. Thus marketers have to be very conscious while formulating a clear cut message and convincing the rural consumer to buy the product.

Despite the above inhibitions, marketers do not have any other option but to serve the large rural consumer base filled with immense opportunities. In this world of immense competition they simply cannot blindly go on serving the urban consumers where the saturation point has occurred and no further growth is likely to happen.

#### IV. CONCLUSION

Serving rural consumer is altogether a different ball game. From this case study it has been observed that rural India is going a series of changes, which, if taken in the right direction will result in consumer evolution with such a huge consumer base that has not been served its share till now. Although, some organisations have taken a leap by making their presence felt in rural areas, but much is required to be undertaken. Few marketers who have made a mark in rural areas are Hindustan Unilever Limited (HUL) through ‘Operation Bharat’ and ‘Project Shakti’, Tata Motors by tying up with public sectors & cooperative banks to help small entrepreneurs to buy vehicles, Mahindra with Maxximo mini-van, Coca-cola through ‘Yaraan da tashan’ ad campaign, Nokia & Vodafone tie-up offering life tool services to rural consumers on agriculture, education, health care & education etc. (Singh et al. 2011). It may be expected that the next growth phase will come from rural market and those ignoring this fact will do this at their own risk. Marketers can plan their strategies for foraying into these markets through working on practicalities of the inhibiting factors and taking into account the major profits that they may earn if these inhibitions are successfully cracked by them.

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