



Rural Retailing in India – A Changing Paradigm

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Abstract: *In the world of cut throat competition, every marketer is searching better solutions and products and services to serve the end users. The emerging global trading system, technological up gradation and long term business growth are interrelated which have strong relevance to the developing countries like India. Market of today has changed the dynamics of the business. And marketers are facing tremendous challenges day to day life and are looking to increase their territorial area by increasing their sales both in urban and rural areas. In India ,around 70 % population is resides in rural or semi urban area & In recent years, rural market of India have acquired significance, as the overall growth of the Indian economy has resulted in the substantial increase in the purchasing power of the rural communities. In fact it has been estimated that the rural markets are growing at five times the rate of urban markets, thereby offering ample opportunities to marketers. In this paper Researcher will discuss about the perspectives in the rural retail& challenges in the rural marketing & some suggestions about how rural marketing can be done more effectively.*

Keywords: *Rural marketing, potential, retail, Indian consume, consumer behaviour.*

I. Introduction

"The future lies with those companies who see the poor as their customers." -C. K. Prahalad (Addressing Indian CEOs, Jan 2000.)

The Indian rural market with its vast size and heterogeneous demand base offers great lucrative opportunities to marketers. After all, two thirds of countries consumers live in rural areas and almost half of the national income is generated in the rural hinterland. India is classified into around 593 districts, and approximately 6,38,000 villages, which can be segmented in different parameters such as literacy levels, accessibility, distribution networks, income levels, market penetration, distances from nearest towns, etc. Recent developments, which has taken place in the rural areas under the five- year plans and other such special programmes, are phenomenal. The overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities.

Today the rural market offers a vast untapped potential. Development programs in the field of agriculture and related activities such as health education, communication, rural electrification, etc have improved the lifestyles of village population. Rural India, which accounts for 83.3 per cent of the country's more than one billion population (according to the Census of India 2011), is not just witnessing an increase in its income but also in consumption and production. However the boom in the retail market has been confined primarily to the urban markets in the country. Even there, large chunks are yet to feel the impacts of organized retailing in rural India. There are two primary reasons:

1) Modern retailer is yet to feel the saturation in the urban market and has, therefore probably not looked at other markets as seriously.

2) The modern retailing trend, despite its cost-effectiveness, has come to be identified with life styles. In order to appeal all classes of society, retail stores would have to identify with different lifestyles.

But often, rural marketing is confused with agricultural marketing. Agricultural marketing denotes marketing of produce of the rural areas to the urban consumers or industrial consumers. These primarily consist of agricultural commodities and some small scale industry products such as Khadi Gram Udyog products or Amul's dairy products. On the other hand, rural marketing involves delivering manufactured or processed goods or services to rural consumers. As rural markets acquire significance the Indian growth story spreads itself to India's hinterlands.

Some simple facts to support this:

- In 2010-11 LIC sold 55% of its policies to rural areas
- Of over two billion BSNL mobile connections 50% are in small towns or villages.
- 41 million Kisan Credit cards have been issued against 22 million credit cum debit cards in urban areas.

With the growing market and the growing purchasing power it is therefore natural that rural markets form an important part of the total market of India. The rural market in India brings 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.

- The market for consumer goods that comprise of both durable and non-durable goods
- The market for agricultural inputs that include fertilizers, pesticides, seedsetc.

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.

II. Retail prospects in Rural India:

Rural India accounts for roughly 83.3% of the population where 6,38,000 villages and 593 districts consist of 742 million people.

- 15% of rural population lives in 20,000 large “non-urban” areas with population more than 5,000 people.
- 63% of rural population lives in villages of 1000 to 5000 people.
- 3, 90,000 villages have fewer than 1000 people accounting for 22% of the population.

Growth in agriculture has resulted in the rapid rise of rural incomes which results in the rise of consumption pattern especially for factory produced goods in rural areas. The Indian rural market with its vast size and demand base offers great potential to marketers. So for the retailers it is required to see in which segment they are catering in the above division of villages. For example HUL’s project “**Shakti**” caters to villages with a population of 500 or above where in “**Eveready**” considers even the remotest of village as its target customer. According to the IMD report 1998 of NCAER (National Council of Applied Economic Research), the consuming class households (annual income between Rs.4500-15,000) in rural India equal the number in urban India. It is well known that for the same level of income, the purchasing power in rural areas is much higher as the expenditure on basic necessities is relatively much lesser subsidized or free in comparison to the urban India. Thus rural markets are immensely attractive for most companies.

Changing face of rural customer

In a market where life has revolved around deep rooted community values, joint families, and social customs and taboos, marketers realize that the traditional routes of market entry and brand building employed in urban India are often not feasible. In recent times, rural India has witnessed a wave of change. The educated “**Rural yuppie**” (males in the 15-34 age group) is moving out to work in nearby towns and cities, and sending money home to his family. This has created an indirect increase in disposable incomes and a surge in demand for consumer goods. The rural youth are slowly evolving as “**opinion leaders**” in influencing brand and product decisions in a market that was swayed by village elders for the centuries. Focused brand-building initiatives—like participation at community events such as “**Melas**”, “**Haats**”, street theatre, van campaigns, and puppet shows generate positive word-of-mouth and influence buying decisions.

Changing scenario in rural sector

- **INCOME Level** -The increment in household incomes made a drastic change in rural retail image. With the increased working population, the purchasing power of the rural population has gone up from 40% in 1991 to 50% in 2001. The various government employment schemes like NAREGA & many more help to raise the income level of rural population
- **LITERACY Level**- Still major population in rural is reluctant towards education. Primary level education in the rural sector is below 60%. Thus the demand for products like books, magazines, notebooks, pens/pencils, drawing instruments, calculators, computers etc. is low. But changes are taking place due to efforts of Govt. and corporate people both. The govt. and corporate sector (in *form of CSR*) is coming together for promotion of literacy in the rural sector and effect has been shown in form of risen percentage up to 23%. This is result contributed significantly to an improvement in the socio-economic status of the rural people. With this growth the demand for educational products has increased positively.
- **FAMILY Size**- Families in rural market are joint-ones. In which a group of people lived under one roof, ate food from common *chullah*, held income and property in common and were related to each other by bonds of kinship. Till now they live in joint families. They check with the family and discuss everything before buying any product. It is important to consider the size of the family, depending upon this they can go for the product. The family member’s discussion influences the purchasing decision. Here money plays the secondary role their composite decision matters a lot. But with rise in population and resulting pressure on land and several other socio-economic factors, joint families are breaking apart. A new concept of ‘individualized joint families’ is emerging, in which families stay in the same house but spend separately. Thus with the increasing numbers of ‘individualized joint’ and nuclear families, the range and number of branded products coming into the family can increase.
- **OCCUPATIONAL Pattern**- The shift can easily be seen from cultivator to wage earner from last few decades in rural areas. Rural people are also moving towards jobs and retailing professions. But there is a difference in wage and salary earner consumption/investment pattern. A daily wage earner has to account for variations in income, whereas a salary earner brings home an assured fixed amount and therefore can plan in a better way. 3/4th of rural household heads are either cultivators or wage earners, whereas 3/4th of urban household heads are salary earners, petty shopkeepers and wage earners. The cultivator’s disposable income is highly seasonal with more disposable income available immediately after the harvesting season.

- **SOCIAL CUSTOM Norms:** Social norms and customs play a significant role in determining individual and collective behaviour in rural India. Village elders and individuals such as the titular head of the village, caste leaders, priests and such socially important people have a major influence on the rural people. They frequently influence the purchase decisions of others in the village, acting as credible sources of information or playing the role of opinion leader. Similarly there are some social norms and festivals on which certain kind of products demands shoots-up instantly. Thus Companies must have to see the rural market as potential market and must develop significant market strategies for its growth and development.

III. Strategies for Effective Rural Marketing

Rural Marketing mix would traditionally include the strategy which encompasses the four Ps namely Product, Price, Place and Promotion that a company uses to promote and sells its brand or product in markets. Apart from this rural marketing also includes four A's, namely Affordability, Availability, Awareness and Acceptability.

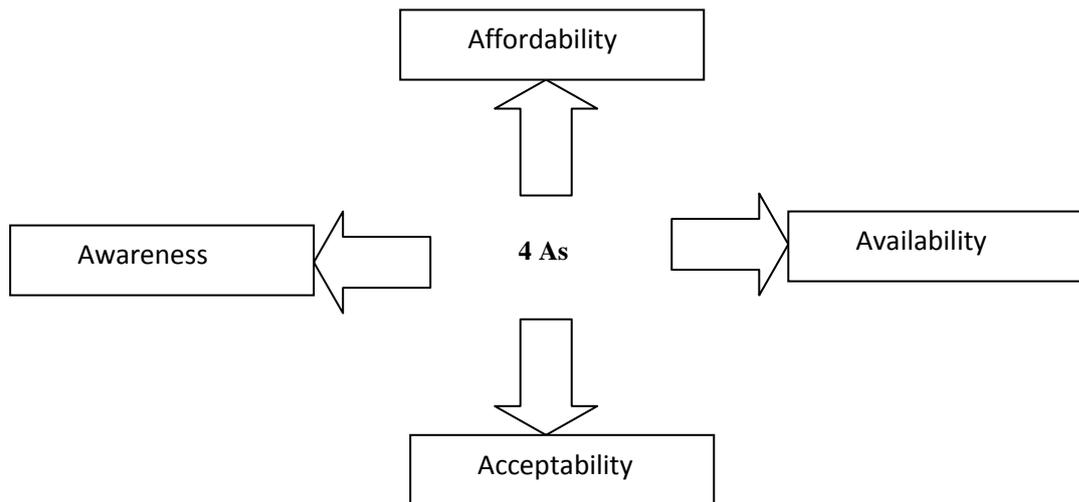


Figure 1: 4 As Model

By definition a product refers to anything that is capable of or can be offered to satisfy need or want.

- Product for rural market must be built or modified to suit the lifestyle and needs of the rural consumers, at the same time keeping in mind their paying capacity as well as their willing to pay. Some particular product strategies for the rural market are new and modified products altered for the rural requirements. For example Nokia develop affordable Mobile phones for rural markets with the unique feature of local language capabilities.
- Secondly, the product has to be utility oriented. British Petroleum's energy cell manufactures and sells smoke less, biomass run stoves. Sophisticated packaging has to be avoided at the same time value packs need to be provided.
- The second P refers to **Price**. Price is the amount the customer has to pay in order to acquire a product or services. Rural pricing revolves around 3 C's, namely customer value, competitors prices and cost to company. Rural population due to its irregular income and limited resources is highly price sensitive. Ensuring a high market share and deep penetration will ensure large volumes thereby achieving overall economies. This overall price benefit has to be passed on to the consumer who requires value for money products. Typically Indian villages have a population ranging from a few hundreds to 5,000. A manufacturer has to decide whether coverage of villages with population less than 2,000 is lucrative enough or not. Of late a lot of retail outlets have been set up in the villages. Distances and poor infrastructure also play a deterrent here.
- **Promotion** implies all the activities undertaken to make the product or service known to and preferred among the user and trade. Promotion aspect always creates a challenge in rural markets because of the fact that village have thin population density and are widely spread over large remote areas and poor media penetration. NCAER sponsored by the India Society of Advertisers conducted survey to study the socio economic effects of advertising. It covered 3,836 household in 50 towns and 50 rural districts in 10 states. It showed a clean rural urban divide, 16% of rural and 25% of urban customers felt that advertising influenced them to frequently or always buy products they do not really need. With fewer people having traditional media access and even fewer getting influenced by it non-traditional media vehicle like hoardings and wall painting, street plays and musicals are providing greater influence. Poor Media penetration has to be overcome by extensive use of local media, events, presence in high congregation areas like Haats and weekly bazaars, fairs etc. Wall writing, horse cart,

bullock cart panels, pamphlet distribution are some other effective means of sending out a message. The entire communication and media strategy has to devise a system based on research findings.

- Effective Rural Market Research is also a critical component for a successful rural marketing strategy. Asscantly data availability fails to provide the market research benefits that are there in urban marketing. Most of the data available is owing to the private efforts of companies and are not readily shared. Moreover, the rural markets behave most differently from urban markets. So marketers cannot follow the same strategies that have been successful in the urban markets. While many marketers have tried to market their products in rural areas, just a handful of the same only has succeeded. A strong insight into rural consumer behaviour and sensitivity to their values and beliefs is required to understand the rural market. Two steps are required to overcome this limitation.
 - One, the private companies, who have successfully launched campaigns in rural areas, share their data and findings. Their understanding of the rural markets can give valuable insights to newer ventures.
 - Secondly government should be more proactive in their research. A lot of government researched data, for example in health care industry, has prompted companies to venture into specific markets. Further research will also provide an impetus to the new ventures. Database creation and management will help in marketing, branding and promotional activities in the rural context.

IV. Conclusion

The paper was inspired by the fact that even though the market attractiveness of rural markets has been accepted but very few of the private retailers have actually made a success entry into the market. An attempt has been made to understand the marketing issues underlying marketing of retail products in rural areas and what are the opportunities for retailers to entering rural areas in a big scale. Various issues which need to be addressed to make rural retail services a success in rural areas in the country have been brought out and so is the importance of use of existing institutional infrastructure. Thus for success in rural retail marketer have to be innovative in both product which they offer and the ways in which they tackle the challenges posed by rural markets.

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