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## Rural Marketing Potential in India – An Analytical Study

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*Abstract: Fast pace of technology advanced every sphere of social, economic, political cultural life, produce, reduce costs, distribute, and expect higher profits. The focus is on tapping the rural markets. Urban markets have saturated led to look rural markets. This paper presents a review of rural markets" environment, Problems and strategies in India. Rural marketing has become the latest mantra of most corporate even MNCs are eyeing rural markets to capture the large Indian market. The rural market consist 70 percent population, twice as entire market of USA and would become bigger than total consumer market in countries like South Korea, and Canada in another 20 years. Using primary and secondary data collected from various market segments. It exhibits linguistic, regional and cultural diversities and economic disparities. Increase in purchasing power fuelled lot of interest, several companies are exploring cost effective channels like HUL/ITC/Colgate/Godrej/Nokia/BPCL.*

**Keywords:** Rural Marketing, Rural Mindset, Rural Market Potential, RM Levels.

### I. Introduction

742 million Indians constituting 138 million households reside in 6, 38,365 villages (Census, 2001). the size of rural market itself speaks of its potential. The current marketing environment and economic scenario have brought the corporate under contemporary roofs of modern India, which is challenging the current standards of segmenting, targeting and reaching the customers. Realistically, India as a nation has come a long way from the place where only urban population which constitutes 20 per cent of customer base for companies are responsible for 80 per cent of their profits. The companies are looking for new opportunities and avenues, as they are witnessing a decline in their growth rates in urban markets due to market saturation and they do have a huge, untouched and untapped rural Indian market. The driving force for this is rural youth who are educated, have access to technology and have openness to change. Also rural markets have acquired significance, as the overall growth of economy has resulted into substantial increase in the purchasing power of the rural communities. A survey by India's premier economic research entity, National Council for Applied Economic Research (NCAER) indicates that rise in rural incomes is keeping pace with the rise in urban incomes. The rural middle class is growing at 12 per cent, close to the urban middle class which is growing at 13 per cent. Punjab, Kerala, Haryana, Rajasthan, Gujarat, Andhra Pradesh and Maharashtra are considered highly prosperous states.

### OBJECTIVES

1. To understand the rural market.
2. To unleash the potential of rural market.
3. To assess the paradigm shift from urban to rural market.
4. To analyze the various parameters of potential of rural market.
5. To offer the conclusions.

### II. Methodology

An exhaustive questionnaire was structured to gather as much primary information as possible and hence, the most common form of research, descriptive research was used. A preliminary study in the form of informal interviews with 107 persons was conducted. Secondary data collected from various market segments and other players of the market, and randomly collected printed promotional material across the countryside.

## What Is Rural?

B.N. Garudachar, general manager, corporate communication and investor relations at Voltas, a Tata group company in air-conditioning and engineering services. "These are: low population numbers, low median income, poor infrastructure [roads, electricity, communications], and agrarian rather than industrial activity. Such rural areas are within the sphere of influence of neighboring cities and metros.

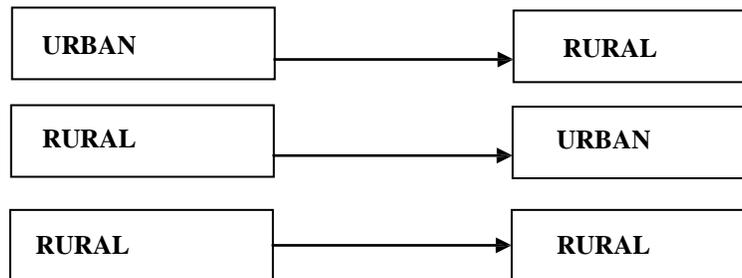
### Salient Features Of Rural India

Some common characteristics that do exist amongst most of the rural markets in India are as follows.

- A. Population:** 83.3 per cent of the villages have a population of less than 2000 (Census of India 2001)
- B. Levels Of Education:** Although the percentage of literates has increased from 36 in 1981 to 59 in 2001, there is still approximately 60 per cent of the rural population who lies below the middle education bracket. (Kashyap & Raut, 2010)
- C. Occupational Pattern:** Almost 76 per cent of the rural population depends on cultivation or wages for their living (NCAER, 2002).
- D. Characteristics:** in terms of occupation, consumption and buying behavior change prominently from urban to rural in locations with population more than 10000.

### III. Rural Marketing In Modern India

"Rural Marketing is defined as a function that manages all activities involved in assessing, stimulating and converting the purchasing power of rural consumers into an effective demand for specific products & services and moving these products & services to the people in rural areas to create satisfaction and a better standard of living and thereby achieving organizational goals" (Iyer, 2010). The process should be able to straddle the attitudinal and socio-economic disparity between the urban and rural customers.



**URBAN TO RURAL (U 2 R):** A major part of rural marketing falls into this category. It includes the transactions of urban marketers who sell their goods and services in rural areas, like pesticides, fertilizers, seeds, FMCG products, tractors, bicycles, consumer durables, etc.

**RURAL TO URBAN (R 2 U):** Transactions in this category basically fall under agricultural marketing where a rural producer seeks to sell his produce in an urban market, like seeds, fruits and vegetables, milk and related products, forest produce, spices, etc.

**RURAL TO RURAL (R 2 R):** This includes the activities that take place between two villages in close proximity to each other, like agricultural tools, handicrafts and bullock carts, dress materials, etc.

The McKinsey report (2007) on the rise on consumer market in India predicts that in twenty years the rural Indian market will be larger than the total consumer markets in countries such as South Korea or Canada today, and almost four times the size of today's urban Indian market and estimated the size of the rural market at \$577 Billion.

**Table 1: Rural Population Statistics**

<b>Population</b>	<b>Number of Villages</b>	<b>Percentage of total villages</b>
Less than 200	114267	17.9
200-499	155123	24.3
500-999	159400	25
1000-1999	125758	19.7
2000-4999	69135	10.8
5000-9999	11618	1.8
10000 & above	3064	0.5
<b>Total</b>	<b>638365</b>	<b>100</b>

Source: Census 2001

#### **IV. Attracting Attributes Of Rural Markets**

**TABLE 2: ESTIMATED ANNUAL SIZE: RURAL MARKET**

FMCG	INR 65000 crore
Durables	INR 5000 crore
Agri-inputs (including tractors)	INR 45000 crore
Two/ Four Wheelers	INR 8000 crore
<b>TOTAL</b>	<b>INR 123000 crore</b>

Source: (Francis Kanoi, 2002)

The immense potential of the rural market can be realized if the marketers understand this market. The huge untapped needs of the rural mass, the growing rural economy and the increasing media penetration and brand awareness make this market extremely attractive to marketers (Goswami, 2009). A look at the estimated annual size of the rural market would make us understand the true potential of this untapped market. The growth statistics for FMCG and Consumer Durables sector suggests huge potential for the Indian Rural markets (Paninchukunnath, 2010).

#### **V. Understanding The Potential Of Rural Market**

- 1. LARGE POPULATION:** 742 million Indians constituting 138 million households reside in 6,38,365 villages (Census, 2001). The size of rural market itself speaks of its potential
- 2. GROWTH IN MARKET:** The market has been growing at 3-4% per annum adding more than one million new consumers every year. Consumer is brand loyal and understands symbols better. View it as you may, few people

dispute that the rural market is massive. According to Singh, 12.2% of the world's consumers live in India. "Rural households form 72% of the total households. This puts the rural market at roughly 720 million customers." Gupta of TSMG extrapolates the Census 2001 numbers and comes up with an estimate of 790 million. "Total income in rural India (about 43% of total national income) is expected to increase from around US\$220 billion in 2004-2005 to US\$425 billion by 2010-2011, a CAGR of 12%," he says.

3. **IT PENETRATION IN RURAL INDIA:** Today's rural children and youth will grow up in an environment where they have 'information access' to education opportunities, exam results, career counseling, job opportunities, government schemes and services, health and legal advice and services, worldwide news and information, land records, mandi prices, weather forecasts, bank loans, livelihood options. If television could change the language of brand communication in rural India, affordable Web connectivity through various types of communication hubs will surely impact the currency of information exchange. As the electronic ethos and IT culture moves into rural India, the possibilities of change are becoming visible.
4. **IMPACT OF GLOBALIZATION:** The impact of globalization will be felt in rural India as much as in urban. But it will be slow. It will have its impact on target groups like farmers, youth and women. Farmers, today 'keep in touch' with the latest information and maximize both ends. Animal feed producers no longer look at Andhra Pradesh or Karnataka. They keep their cell phones constantly connected to global markets. Surely, price movements and products' availability in the international market place seem to drive their local business strategies. On youth its impact is on knowledge and information and while on women it still depends on the socio-economic aspect. The marketers who understand the rural consumer and fine tune their strategy are sure to reap benefits in the coming years. In fact, the leadership in any product or service is linked to leadership in the rural India except for few lifestyle-based products, which depend on urban India mainly.
5. **INCREASING INCOME AND PURCHASING POWER:** The agricultural development programs of the government have helped to increase income in the agricultural sector. These in turn have created greater purchasing power in rural markets.
6. **ACCESSIBILITY OF MARKETS:** The attraction of a market depends not only on its potential but also on its accessibility. The road network has facilitated a systemized product distribution system to villages. An increasing number of companies are supplying village markets directly. Increasing direct contacts to villages helps product promotion and availability of the product in the village shop.
7. **CONSUMER BEHAVIOUR CHANGES:** Increased literacy and greater awareness in rural markets create new demands and discriminating buyers. This is observed more in the younger generation. In villages today, this segment of buyers consumes a large variety of products, both durables and non-durables. There is a visible increase in the consumption and use of a variety of products, which is easily observed.
8. **COMPETITION IN URBAN MARKETS:** Intensified competition in urban markets increases costs and reduces market share. The rural markets are therefore increasingly attractive in relation to urban markets. The automobile market brings this out clearly. Rajdoot motorcycles, Bajaj scooters or Ambassador Cars find ready acceptance in rural markets as compared to urban markets where there is a proliferation of brands.
9. **NEW EMPLOYMENT OPPORTUNITIES:** Government schemes like IRDP (Integrated Rural Development Programme), JRY (Jawahar Rozgar Yojana) and TRYSEM (Training Rural Youth for Self Employment) have created new employment opportunities in Rural India. Co-operative banks and Public sector banks are extending loans to rural people, thereby creating job opportunities for them. As a result very few rural people are now flocking to urban centres.
10. **GREEN REVOLUTION:** The vision of Dr. Swami Nathan, the father of the green revolution to achieve self-sufficiency in food grain production in 1995, gave a major breakthrough in food grain production by the use of scientific methods in agriculture. At present, Rural India generates 299 million tons annually.
11. **VARIOUS GOVERNMENT POLICIES:** The government's stress on self-sufficiency resulted in various schemes like Operation Flood (White Revolution), Blue Revolution, Yellow Revolution, etc. resulted in the production of 15 million tons of milk per annum.
12. **BETTER CREDIT FACILITIES THROUGH BANKS:** With co-operative banks taking the lead in the rural areas, every village has access to short, medium, long-term loans from these banks. The credit facilities extended by

public sector banks through Kisan Credit Cards help the farmers to buy seeds, fertilizers and every consumer goods on instalments.

- 13. GREEN CARD / CREDIT CARD FOR FARMERS:** The government initiated credit cards for farmers through public sector banks. Canara bank and Andhra bank were the pioneers in the launch of the Kisan Credit Card. The farmer had a choice to take short or medium term loans through these credit cards to buy seeds, fertilizers, etc. This enabled him to produce more and thereby increase his income.
- 14. IMPROVED EXPORTS DUE TO EXPORT POLICY:** The new Export Policy 2000 paves the way for open market (OGL- Open General License System) status for agriculture. The World Trade Organization's (WTO) Policy for agro-exports has increased exports of Indian agricultural produce thereby increasing incomes of the rural population.
- 15. REMITTANCES FROM INDIANS WORKING ABROAD:** These remittances are a sizeable contribution to growing rural income & purchasing power.
- 16. POLITICAL & SOCIAL CHANGES THROUGH FAVOURABLE GOVERNMENT POLICIES:** The Indian Government launched a number of schemes like IRDP (Integrated Rural Development Programme) and REP (Rural Electrification Programme) in the 1970's, which gave a boost to the agrarian economy. This resulted in changes in people's habits and social life. REP gave impetus to the development of consumer durable industry.
- 17. MEDIA:** Mass Media has created increased demand for goods and services in rural areas. Smart marketers are employing the right mix of conventional and non-conventional media to create increased demand for products. The role cable television has been noteworthy in bringing about the change in rural people's mindset and influencing their lifestyles.

#### **VI. Rural Marketing Is Marketing To A Rural 'Mindset'; Not A Rural Market**

Unfortunately, there exists only the „practice“ of rural marketing and very few instances of understanding the rural „mindset“. Assumptions, generalizations and stereotypes replace insights and the extra effort needed to “think rural”. A starting point to making our understanding more „real“ is by breaking a few myths around rural consumers. A few commonplace assumptions that (mis)guide rural marketing thought. This piece of writing is an attempt to quash those and understand the implications of the realities they shroud.

**SAMPLE:** The respondents in the sample consisted of rural and sub-urban consumers. 107 respondents in and around the border areas of Hyderabad, Bidar were interviewed. The respondents had certain exposure to the urban lifestyle. The details of the demography of the respondents are depicted in numbers in the form of Tabulation. The sample size was good enough to understand the psychographic characteristics of rural consumers in the perspective of verbal and non-verbal communication strategies.

**INFERENCES:** The outcome of the study can be analyzed for each of the questions asked in the interviews. Each of the questions covers different aspects of the potential area in rural marketing. The analysis is as follows.

**Table 3: Respondents' Age**

<b>Response</b>	<b>No. of Respondents</b>	<b>% of Respondents</b>
Less than 20 years	09	8.43
21-30 years	20	18.69
31-40 years	33	30.84
41-50 years	28	26.16
50 years and above	17	15.88
<b>Total</b>	<b>107</b>	<b>100</b>

A question was administered to sample of respondents describing the age. The 30.84% having age group 31-40 years and 26.16% with age group 41-50 years, constituting rural market. By and large 76% with 21-50 years of age group, forms the potential market.

**Table 4: Respondents' Gender**

Response	No. of Respondents	% of Respondents
Male	69	64.48
Female	38	35.52
<b>Total</b>	<b>107</b>	<b>100</b>

Gender wise analysis shows that 64.48% respondents are male and rest of them are females. It means rural markets are being dominated by male folk.

**Table 5: Respondents' Education**

Response	No. of Respondents	% of Respondents
Less than V	01	0.93
Till VII	37	34.57
Till X	29	27.13
Till XII	18	16.82
Graduation	14	13.08
Beyond Graduation	08	07.47
<b>Total</b>	<b>107</b>	<b>100</b>

The above reveals the respondent educational background. It is evident that the majority of the respondents are having the education between VII – XII. Which constitute the rural market.

**Table 6: Respondents' Monthly Income**

Response	No. of Respondents	% of Respondents
Less than Rs. 2000	12	11.21
Rs. 2001 - Rs. 5000	37	34.57
Rs. 5001 - Rs. 8000	26	24.32
Rs. 8001 - Rs. 10000	14	13.08

Rs. 10001 - Rs. 15000	12	11.21
More than Rs. 15000	06	05.61
<b>Total</b>	<b>107</b>	<b>100</b>

It is found that monthly income of the respondent ranging between Rs. 2000 and Rs. 10000, which is an indication of the respondents affordability of making purchases.

**Table 7: Preferred Mode Of Communication**

Response	No. of Respondents	% of Respondents
TV	48	44.87
Mobile	03	2.83
Radio	11	10.28
Announcements	08	7.47
News paper	06	5.61
Poster	05	4.68
Word of mouth	19	17.77
Skits/plays	07	6.55
<b>Total</b>	<b>107</b>	<b>100</b>

Advertisements through television and use of Viral marketing as communication mode are most desirable. Rural communication depends on two major factors – Creating Awareness and Inducing Trials. With the penetration of television media increasing rapidly, the rural consumers are becoming more aware of brands through advertisements.

**Table 8: Purchase Practices**

Response	No. of Respondents	% of Respondents
Personal	22	20.56
Small Group	28	26.17
Mass	57	53.27

**Total**

**107**

**100**

The purchase practices of rural consumer are shown in above table. It is evident that 53.27% of consumers practices mass purchasing. The small group practices and personal purchase practices constitute 26.17% and 20.56% respectively. The effect of mass media is evident here.

**Table 9: Marketing Strategy**

Response	No. of Respondents	% of Respondents
Urban	66	61.68
Rural	03	2.80
Both	38	35.52
<b>Total</b>	<b>107</b>	<b>100</b>

Marketers can benefit most if they can make the rural people feel that they value them as their customers. The key success to an effective rural marketing is that it should be firmly grounded in rural tradition, rural perspectives, rural mentality and their values. It requires complete focus on local language, culture, customs and modes of communication.

**Table 10: Effect Of Languages**

Response	No. of Respondents	% of Respondents
Regional	77	71.96
National	13	12.14
Both of them	11	10.28
None of them	06	5.62
<b>Total</b>	<b>107</b>	<b>100</b>

It is obvious from the above that regional languages are preferred in marketing. The success of rural marketing depends on the appropriate localization of campaigns and regional language plays an important part in it.

**Table 11: Purchase Influencers**

Response	No. of Respondents	% of Respondents
Price/Discounts	29	27.10
Brand/Company Name	35	32.71
Celebrity endorsement	17	15.88
Language	11	10.28
Content	09	8.41
Tagline	06	5.62
<b>Total</b>	<b>107</b>	<b>100</b>

The result depicts the increasing trend of disposable income in rural areas. Prices and discounts are not the sole parameters that drive their purchases. Rural customers are increasingly becoming brand conscious.

**Table 12: Purchasing Decisions**

Response	No. of Respondents	% of Respondents
Self	41	38.31
Parent	23	21.49
Spouse	28	26.16
Children	15	14.04
<b>Total</b>	<b>107</b>	<b>100</b>

Above table reveals that the decision making in the rural market are taken by self followed by spouse. No particular tactic can be derived out of this, rather the idea is to target the individual or the spouse or the child as per the product types and categories.

**Table 13: Perception On New Product/Brand**

Response	No. of Respondents	% of Respondents
No effect, stick to existing one	28	26.16
Experiment with the new one	09	8.43
Try out when dissatisfying with existing one	24	22.42
Try out on receiving positive feed back	46	42.99
<b>Total</b>	<b>107</b>	<b>100</b>

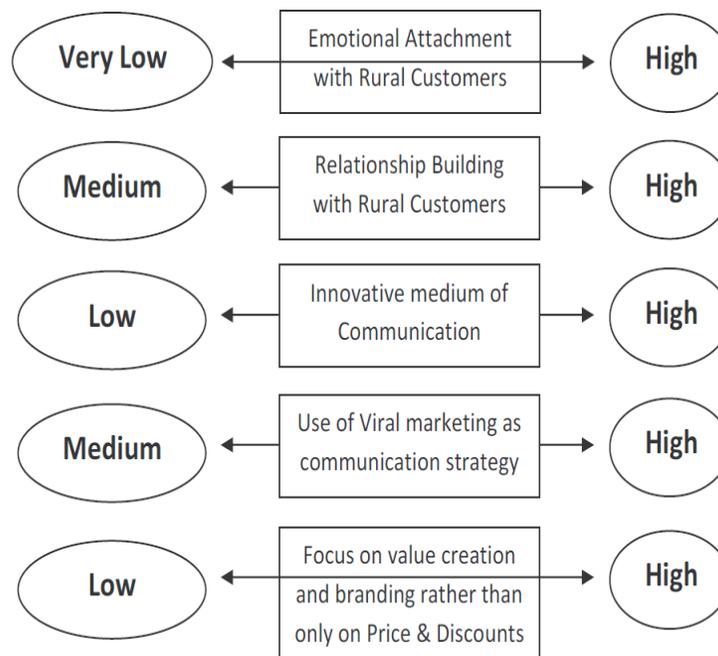
The study shows that the rural consumers usually do not experiment with a new product unless something triggers them. The most influential triggering factor is positive feedback about the product from others.

## VII. Conclusion

1. Age wise analysis explains the pattern of purchasing in the rural markets where in the age group between 21-50 years is dominating, with majority of males persons.
2. Advertisements through electronic media are preferred over other method of communication.
3. Marketers can benefit most if they can make the rural people feel that they value them as their customers.
4. Regional languages are playing vital rule in the rural marketing.
5. Rural customers are increasingly becoming brand conscious as well as price and discounts.
6. The decision making in the rural market are taken by self followed by spouse.
7. the rural consumers usually do not experiment with a new product unless something triggers them.

From the study it can be concluded that there a high potential in rural India but exists major differences between the existing and the desirable levels of rural marketing, has to be improve as mentioned in the figure below.

## Existing Desirable:



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