

## Innovative Strategy in Rural Marketing: Challenges and Opportunities

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**ABSTRACT:** There is a great opportunity for the marketers in the rural areas. Two-thirds of countries consumers live in rural area. Naturally the rural markets form an important part of the total market of India. Our nation have around 450 districts, and approximately 630000 villages with different parameters such as literacy levels, accessibility, income levels, distances from nearest towns, etc. Around 700 million people, or 70% of India's population, live in villages in rural areas. 90% of the rural population is concentrated in villages with a population of less than 2000. Going rural can be said as the new marketing mantra.

In recent years, rural markets have acquired significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural community .On account of green revolution; the rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely, rural marketing has emerged. But often, rural marketing is confused with agricultural marketing - the latter denotes marketing of produce of the rural areas to the urban consumers or industrial consumers, whereas rural marketing involves delivering manufactured or processed inputs or services to rural producers or consumers.

Rural areas across OECD and non-OECD countries are going through a period of profound economic, demographic and institutional transformations. Globalization, decentralization, migration trends and the emergence of new product and service markets pose new challenges and opportunities to rural areas.

**Keywords:** Rural marketing; OECD and Marketing in India.

**INTRODUCTION:** To promote brands in rural markets requires the special dealings. Due to the social and backward condition the personal selling efforts become a challenging role to play. The word of mouth is an important message carrier in rural areas. Infect the opinion leaders are the most influencing part of promotion strategy of rural promotion efforts. The experience of agricultural input industry can act as a guideline for the marketing efforts of consumer durable and non-durable companies. Relevance of Mass Media is also a very important factor.

The Indian established Industries have the advantages, which MNC don't enjoy in this regard. The strong Indian brands have strong brand equity, consumer demand-pull and efficient and dedicated dealer network which have been created over a period of time. The rural market has a grip of strong country shops, which affect the sale of various products in rural market. The companies are trying to trigger growth in rural areas. They are identifying the fact that rural people are now in the better position with disposable income. The low rate finance availability has also increased the affordability of purchasing the costly products by the rural people. Marketer should under-

stand the price sensitivity of a consumer in a rural area. This paper is therefore an attempt to understand opportunities, challenges and strategies in the rural market. Indian Marketers on rural marketing have two understanding:

- a) The urban metro products and marketing products can be implemented in rural markets with some or no change.
- b) The rural marketing required the separate skills and techniques from its urban counterpart. The Marketers have
- c) Many facilities to make them believe in accepting the truth that rural markets are different in so many terms.

**Realities before the Marketers:** 70% of the Indian population lives in rural areas. This segment, commonly referred to as the 'bottom of the pyramid', presents a huge opportunity for companies. In recent years, rural markets have acquired significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities.

On account of green revolution, the rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely, rural marketing has emerged. But often, rural marketing is confused with agricultural marketing – Agricultural marketing denotes marketing of goods and services of the rural areas to the urban consumers or industrial consumers, whereas rural marketing involves delivering manufactured or processed goods or services to rural producers or consumers.

**Opportunities in Indian Rural market:**

\* More than 750 million people \* Estimated annual size of the rural market

<b>FMCG</b>	<b>Rs. 70,000 Crore</b>
<b>Durables</b>	<b>Rs. 5,500 Crore</b>
<b>Agricultural-Inputs (including tractors)</b>	<b>Rs. 48,000 Crore</b>
<b>2 / 4 Wheelers</b>	<b>Rs. 8,400 Crore</b>

\* 42 million rural households (HHs) are availing banking services in comparison to 27 million urban HHs.

\* Investment in formal savings instruments is 6.6 million HHs in rural and 6.7 million HHs in urban.

\* In last 50 years, 45% villages have been connected by road.

\* More than 90% villages are electrified, though only 44% rural homes have electric connections.

\* Government is providing subsidies to the villagers to use other source of energy like Solar System and is now being used in large amount.

\* Number of "pucca" houses increasing day by day.

\* Rural literacy level improved from 36% to 59%.

\* Percentage of BPL families declined from 46% to 25%.

\* Out of two million BSNL mobile connections, 50% are in small towns/villages.

\* 41 million Kisan Credit Cards have been issued (against 22 million credit-plus-debit cards in urban), with cumulative credit of Rs. 977 billion resulting in tremendous liquidity.

**Challenges in Indian Rural market:** Rural markets, as part of any economy, have untouched potential. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India is still in evolving shape, and the sector poses a variety of challenges. Distribution costs and non-availability of retail outlets are major problems faced by the marketers. The success of a brand in the Indian rural market is as unpredictable as rain. Many brands, which should have been successful, have

failed miserably. This is because most firms try to extend marketing plans that they use in urban areas to the rural markets. The unique consumption patterns, tastes and needs of the rural consumers should be analysed at the product planning stage so that they match the needs of the rural People.

**Strategies for Rural Marketing** Rural markets, as part of any economy, have untapped potential. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India is still in evolving shape, and the sector poses a variety of challenges. Distribution costs and non availability of retail outlets are major problems faced by the marketers. The success of a brand in the Indian rural market is as unpredictable as rain. Many brands, which should have been successful, have failed miserably. This is because, most firms try to extend marketing plans that they use in urban areas to the rural markets. The unique consumption patterns, tastes, and needs of the rural consumers should be analyzed at the product planning stage so that they match the needs of the rural people. Therefore, marketers need to understand the social dynamics and attitude variations within each village though nationally it follows a consistent pattern.

The main problems in rural marketing are:

- \* Understanding the Rural Consumer
- \* Poor Infrastructure
- \* Physical Distribution
- \* Channel Management
- \* Promotion and Marketing Communication

Dynamics of rural markets differ from other market types, and similarly, rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer.

Strategies to be followed in Indian Rural Market-

**a) Marketing Strategy:** Marketers need to understand the psychology of the rural consumers and then act consequently. Rural marketing involves more exhaustive personal selling efforts compared to urban marketing. Firms should abstain from designing goods for the urban markets and subsequently pushing them in the rural areas. To effectively tap the rural market, a brand must associate it with the same things the rural folks do. This can be done by utilizing the various rural folk media to reach them in their own language and in large numbers so that the brand can be associated with the myriad rituals, celebrations, festivals, "melas", and other activities where they assemble.

**b) Distribution Strategy:** One of the ways could be using company delivery van which can serve two purposes - it can take the products to the customers in every nook and corner of the market, and it also ena-

bles the firm to establish direct contact with them, and thereby facilitate sales promotion.

However, only the companies having excellent Infrastructure can adopt this channel. The companies with relatively fewer resources can go in for syndicated distribution where a tie-up between non-competitive marketers can be established to facilitate distribution. Annual "melas" organized are quite popular and provide a very good platform for distribution because people visit them to make several purchases.

According to the Indian Market Research Bureau, around 8000 such melas are held in rural India every year. Rural markets have the practice of fixing specific days in a week as Market Days called "Haats" when exchange of goods and services are carried out. This is another potential low cost distribution channel available to the marketers. Also, every region consisting of several villages is generally served by one satellite town termed as "Mandis" where people prefer to go to buy their durable commodities. If marketing managers use these feeder towns, they will easily be able to cover a large section of the rural population.

**d) Promotional Strategy:** Marketers must be very careful while choosing the mediums to be used for communication. Only 16% of the rural population has access to a vernacular newspaper. So, the audio visuals must be planned to convey a right message to the rural folk. The rich, traditional media forms like folk dances, puppet shows, etc., with which the rural consumers are familiar and comfortable, can be used for high impact product campaigns. Radio is also very popular source of information and Entertainment, Adds on radio can also be a helpful tool for marketers.

**Rural Marketing-Challenges and Opportunities:** There is a great opportunity for the marketers in the rural areas. Two-thirds of countries consumers live in rural area. Naturally the rural markets form an important part of the total market of India. Our nation have around 450 districts, and approximately 630000 villages with different parameters such as literacy levels, accessibility, income levels, distances from nearest towns, etc. Around 700 million people, or 70% of India's population, live in villages in rural areas. 90% of the rural population is concentrated in villages with a population of less than 2000.

How much worth the rural market is can be well explained from the Coca-Cola case. Coca-Cola India doubled the number of outlets in rural areas from 80,000 in 2001 to 160,000 in 2003, which increased market penetration from 13 per cent to 25 per cent. It brought down the average price of its products from Rs 10 to Rs 5, thereby bridging the gap between soft drinks and other local options like tea, butter milk or

lemon water. It also tapped local forms of entertainment like annual *haats* and fairs and made huge investments in infrastructure for distribution and marketing.



**Figure 1: Promotion marketing in rural areas for increasing the sales.**

The rural market accounts for 80 per cent of new Coke drinkers and 30 per cent of its volumes. The rural market for Coca-Cola grew at 37 per cent over the last year, against a 24 per cent growth in urban areas. Per capita consumption in rural areas has doubled in the last two years. The success of a brand in the Indian rural market is unpredictable also it is very difficult to measure the rural market. While the rural market certainly offers a big attraction to marketers, then why not any company can easily enter the market and come out with sizable share. This is mainly because of the reason that the rural market is covered with variety of problems. The main problems in rural marketing are:

- Physical Distribution
- Channel Management
- Promotion and Marketing Communication

The problems of physical distribution and channel management adversely affect the service as well as the cost aspect. But the biggest of all the problems is how to communicate and reach these 700 million people.

This can be done by using various rural folk media to reach them in their own language and in large numbers so that the brand can be associated with the celebrations, festivals, meals and other activities where they assemble.

**How to do religious marketing to reach the consumers of the rural area:** For that the marketer can concentrate on any of the religious events of places. Within a very short span of time the company will be able to communicate to a huge no of potential customers about the product and the services and can build brand awareness. Kumbh mela, where about 30 million people, mostly from rural areas, were expected to come over the span of a month. The companies can provide 'touch and feel' demonstrations and distribute free samples. This proved to be extremely effective in advertising to the rural market. Another potential way of creating brand awareness among the rural customer is to provide free services. Godrej Consumer Products Ltd is present at the Kumbh Mela, with a kiosk and a team of about five people, adding more people on the main bathing days. These activities are focused mainly on raising awareness of, and inducing sampling for its toilet soaps. British tour operator Cox & Kings had played an important initiative by providing assistants to the foreign visitors to visit the Kumbh Mela. Other potential event and places where a marketer can concentrate are Vaishno Devi where the average no of visitors is approximately 40 lakh a day, Haridwar, where approximately 50,000 people visit every day, Jagannath Temple where on an average 30,000 people visit every day etc. Another important point is that if a company provide free services to the people it will not only help in awareness and advertising but also these activities can be shown as corporate social responsibility. In addition to the above the marketing manager should always keep in mind that while promoting his product he should not hurt the religious sentiments of the community otherwise that could adversely affect his product. As was the example in case of the movie Passion of Christ where the movie was being banned from display as it was supposed to hurt the particular community and it affected the movie in a very big way.

### Why Rural India?

Go rural' is the slogan of marketing gurus after analyzing the socio-economic changes in villages. The Rural population is nearly three times the urban, so that Rural consumers have become the prime target market for consumer durable and non-durable products, food, construction, electrical, electronics, automobiles, banks, insurance companies and other sectors besides hundred per cent of agro-input products such as seeds, fertilizers, pesticides and farm machinery.



Figure 2: Rural Marketing scenario



Figure 3: Advertising Strategy of coke

The Indian rural market today accounts for only about Rs 8 billion of the total ad pie of Rs 120 billion, thus claiming 6.6 per cent of the total share. So clearly there seems to be a long way ahead. Although a lot is spoken about the immense potential of the unexplored rural market, advertisers and companies find it easier to vie for a share of the already divided urban pie.

The success of a brand in the Indian rural market is as unpredictable as rain. It has always been difficult to gauge the rural market. Many brands, which should have been successful, have failed miserably. More often than not, people attribute rural market success to luck. Therefore, marketers need to understand the social dynamics and attitude variations within each village though nationally it follows a consistent pattern looking at the challenges and the opportunities which rural markets offer to the marketers it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage. A radical change in attitudes of marketers towards the vibrant and burgeoning rural markets is called for, so they can successfully impress on the 230 million rural consumers

spread over approximately six hundred thousand villages in rural India.

### **Why go rural?**

Little has changed in the villages of India in the past decades. Schools have been built, but many still lack teachers and appropriate teaching methods. There are phone lines in many villages, but getting a dial tone is still a challenge. Electricity supply is at best intermittent. Health care is still limited in its availability. India's villages are dependent on agriculture for much of their sustenance. Drought is a common occurrence across much of India. As a result, villagers, for the most part, remain a poor lot - the per capita income of India's villages is perhaps no more than Rs 12-18,000 (USD 240-360, USD1 = INR50) per annum, as compared to the national average of Rs 25,000 (USD 500). Perhaps, most importantly, the opportunities available to villagers are not dramatically different from what they were many years ago. Villages in India are where you live if you have no other option. And yet, India is in its villages. 70% of Indians live there. Even as one India races ahead with optimism towards the future, there is another India which seems to be stuck in the past. If India as a nation has to progress, there is little doubt that India's villages too have to progress.

**Rural India:** Challenges and Opportunities Marketing today has completely transformed the nature and dynamics of business. One today needs to be adaptive to survive. Marketing of products has taken precedence over the process of production itself. This can be attributed to the fact that the new-age consumer equipped with the potent tool of information seeks more knowledge about the product, its features and its uses. Customer today indeed is the "King". He can make or break the company. And when this information is presented in a creative and effective manner, it creates an everlasting impression on the consumer's mind and may even alter his perception of what he needs.

Marketers are forever seeking fresh challenges and scouting for more and more clientele to be drawn into their sphere of influence. The urban consumer has always been pampered with the most dazzling array of goods and services from every industry. But the urban market is fast shrinking due to saturation caused by the competition, and the growth rate over the past few years has consistently shown a declining trend. In the hunt for fresh pastures, the vast and hitherto vastly unexplored terrains of rural India consistently beckon the moolah-seeking marketer.

### **What rural market buys?**

Rural India buys small packs, as they are perceived as value for money. There is brand stickiness, where a

consumer buys a brand out of habit and not really by choice. Brands rarely fight for market share; they just have to be visible in the right place. Even expensive brands, such as Close-Up, Marie biscuits and Clinic shampoo are doing well because of deep distribution, many brands are doing well without much advertising support — Ghadi, a big detergent brand in North India, is an example.

### **Why Rural Market?**

The Indian rural market has a huge demand base and offers great opportunities to marketers. Two-thirds of Indian consumers live in rural areas and almost half of the national income is generated here. The reasons for heading into the rural areas are fairly clear. The urban consumer durable market for products like colour TVs, washing machines, refrigerators and air conditioners is growing annually at between 7 per cent and 10 per cent.

The rural market is zooming ahead at around 25 per cent annually. "The rural market is growing faster than urban India now," says Venugopal Dhoot, chairman of the Rs 989 –crore (Rs billion) Videocon Appliances. "The urban market is a replacement and up gradation market today," adds Samsung's director, marketing, Ravinder Zutshi.

### **Reasons for improvement of business in rural area**

- Socio-economic changes (lifestyle, habits and tastes, economic status)
- Literacy level (25% before independence – more than 65% in 2001)
- Infrastructure facilities (roads, electricity, media)
- Increase in income
- Increase in expectations

MART, the specialist rural marketing and rural development consultancy has found that 53 per cent of FMCG sales lie in the rural areas, as do 59 per cent of consumer durable sales, said its head Pradeep Kashyap at the seminar. Of two million BSNL mobile connections, 50 per cent went to small towns and villages, of 20 million Rediffmail subscriptions, 60 per cent came from small towns, so did half the transactions on Rediff's shopping site.

**Special features of rural market:** Unlike urban markets, rural markets are difficult to predict and possess special characteristics. The featured population is predominantly illiterate, have low income, characterized by irregular income, lack of monthly income and flow of income fluctuating with the monsoon winds.

Rural markets face the critical issues of Distribution, Understanding the rural consumer, Communication and Poor infrastructure. The marketer has to strengthen the distribution and pricing strategies. The rural

consumer expects value for money and owing to has unsteady and meager status of weekly income; increasing the household income and improving distribution are the viable strategies that have to be adapted to tap the immense potential of the market.

Media reach is a strong reason for the penetration of goods like cosmetics, mobile phones, etc., which are only used by the urban people. Increasing awareness and knowledge on different products and brands accelerate the demand. The rural audience are however critical of glamorous ads on TV, and depend on the opinion leaders who introduce the product by using it and recommending it.

Opinion leaders play a key role in popularizing products and influence in rural market. Nowadays educated youth of rural also influences the rural consumers. Rural consumers are influenced by the life style they watch on television sets. Their less exposure to outside world makes them innocent and fascinated to novelties. The reach of mass television media, especially television has influenced the buying behavior greatly.

**Creating brands for rural India:** Rural markets are delicately powerful. Certain adaptations are required to cater to the rural masses; they have unique expectation and warrant changes in all four parameters of product, price, promotion and distribution.

A lot is already emphasized on adapting the product and price in terms of packaging, flavoring, etc and in sachets, priced to suit the economic status of the rural India in sizes like Rs.5 packs and Re.1 packs that are perceived to be of value for money. This is a typical penetration strategy, which promises to convert the first time customers to repeated customers.

The promotion strategies and distribution strategies are of paramount importance. Ad makers have learnt to leverage the benefits of improved infrastructure and media reach. The television airs advertisements to lure rural masses, and they are sure it reaches the target audience, because majority of rural India possesses and is glued to TV sets! Distributing small and medium sized packets thro poor roads, over long distances, into deep pockets of rural India and getting the stockiest to trust the mobility is a Herculean task. Giving the confidence those advertisements will support. Sales force is being trained to win the confidence of opinion leaders. Opinion leaders play an important role in popularizing the brand. They sometimes play the role of entry barriers for new products. The method of promotion needs to be tailored to suit the expectations of the market. Techniques that have proved to be successful are Van campaigns, edutainment films, generating word of mouth publicity through opinion lead-

ers, colorful wall paintings. The Wide reach of television has exposed the otherwise conservative audience to westernization. Panchayat televisions in Tamilnadu carries message that are well received and contribute to community development.

Dynamics of rural markets differ from other market types, and similarly rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer. This, along with several other related issues, have been subject matter of intense discussions and debate in countries like India and China and focus of even international symposia organized in these countries.

Rural markets and rural marketing involve a number of strategies, which include:

- \* Client and location specific promotion
- \* Joint or cooperative promotion
- \* Bundling of inputs
- \* Partnership for sustainability

Client and Location specific promotion involves a strategy designed to be suitable to the location and the client. Joint or co-operative promotion strategy involves participation between the marketing agencies and the client. Bundling of inputs' denote a marketing strategy, in which several related items are sold to the target client, including arrangements of credit, after-sale service, and so on. Media, both traditional as well as the modern media, is used as a marketing strategy to attract rural customers. Partnership for sustainability involves laying and building a foundation for continuous and long lasting relationship. Innovative media can be used to reach the rural customers. Radio and television are the conventional media that are reaching the rural audience effectively. But horse cart, bullock cart and wall writing are the other media, which can carry the message effectively to the rural customers.

Rural marketing is an evolving 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. Rural consumers are keen on branded goods nowadays, so the market size for products and services seems to have burgeoned. The rural population has shown a trend of wanting to move into a state of gradual urbanization in terms of exposure, habits, lifestyles and lastly, consumption patterns of goods and services. There are dangers on concentrating more on the rural customers. Reducing the product features in order to lower prices is a dangerous game to play.

There are various reasons why every industry is taking a very serious look at rural markets: -

- a) About 285 million live in urban India whereas 742 million reside in rural areas, constituting 72% of India's population resides in its 6,00,000 villages.
- b) The number of middle income and high income households in rural India is expected to grow from 80 million to 111 million by 2007 while urban India is expected to grow from 46 million to 59 million. In fact according to a recent survey, there are more *crorepatis* in rural Punjab than in a few big urban cities.

**CONCLUSION:** Thus looking at the challenges and the opportunities which rural markets offer to the marketers it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage. A radical change in attitudes of marketers towards the vibrant and burgeoning rural markets is called for, so they can successfully impress on the 230 million rural consumers spread over approximately six hundred thousand villages in rural India.

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