



# MARKETING STRATEGIES FOR RURAL INDIAN MARKETS

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## ABSTRACT

*The market scenario in India presents a unique phenomenon where there are two extreme viz, urban and rural market. The Indian rural market with its vast size and demand base offers great opportunities to marketers. Two third of countries consumers live in rural areas and almost half of the national income is generated from here. The rural market forms an important part of total market in India, classified in around 450 districts and approximately 6, 30,000 villages. The Indian rural market is not only large but also very much scattered. It exhibits linguistics, regional & cultural diversities & economic disparities. Marketing in this complex environment becomes a challenging task in order to formulate appropriate marketing strategies for rural market.*

*The purpose of this research paper is to explore the potentials of rural markets and to formulate a strategy to tap such potential in the consumer goods sector in rural areas.*

## I. INTRODUCTION

Rural marketing can be defined as a function which manages all those activities involved in assessing, stimulating and converting the purchasing power into an effective demand for specific products and services, and moving them to the people in rural areas to create satisfaction and a standard of living to them and thereby achieve the goals of the organization. The Indian society is a complex social system with different castes classes, creeds and tribes. The high rate of literacy added to the inadequacy of mass media impedes reach almost to 80% of the India's population who reside in village. The old cliché about the real India being in its village has drawn increased no. of marketers and advertising agencies to do market research regarding the 626,000 villages according to GIS (Geographical information system) based software.

As rural consumers are far less homogeneous than their urban counterparts, it is not possible to merely extend urban products to rural markets. This problem is further aggravated if the regional variations in the rural markets are considered. It implies that rural markets are more segmented, and require deeper analysis and understanding. Moreover, due to inadequate infrastructural facilities like connecting roads warehouses, media availability, telecommunication etc, marketers **face serious** problems in reaching and servicing rural consumers.

## II. EVOLUTION OF THE CONCEPT OF RURAL MARKETING

The term "Rural Marketing", which was used earlier as an Umbrella term to refer to all commercial transactions of rural people, acquired a separate meaning of great significance in 1990's. The evolution can be briefly explained in three phases.

### PHASE I (before mid 1960's)

It was considered synonymous with "Agricultural Marketing". It referred to marketing of 18 rural products in Rural and Urban areas and agricultural inputs in rural markets.

**PHASE II (mid 1960's-mid 1990's)**

Green Revolution ushered in scientific taming practices and transferred many of the poor villages into prosperous and busy centers. As a result, the demand for agricultural inputs went up. Better irrigation facilities, soil testing, use of high yield variety seeds, fertilizers, pesticides and employment of machinery like power tillers, harvesters' crushers etc changed the rural scenario. Two separate areas of activity had emerged- the new "marketing of agricultural inputs" and the conventional "agricultural marketing". The formation of agencies like **Khadi** and Village Industries Commission, Girijan Cooperative Societies and Apco Fabrics (In AP) and the special attention Government had paid to promote these products was responsible for this upsurge.

**PHASE III (After mid 1990's)**

India's Industrial Sector had gained strength and maturity. Due to development programs of Central and State Governments, service organizations and socially responsible business groups like Mafatlals, Tatas, Birlas, Goenkas and others, many rural areas witnessed all round socioeconomic progress. The economic reforms of 1991-1992 introduced competition in markets. Steadily, the market has grown for household consumables and durables. Rural Marketing represented the emergent distinct activity of attracting and serving rural markets to fulfill the needs and wants of persons, households and occupations of rural people.

**III. EMERGING DEMANDS OF INDIAN RURAL MARKET COULD BE CLASSIFIED INTO THREE TYPES:**

**A. CONSUMER MARKET:**

**Consumable products:** Footwear, food products, toiletries, cosmetics, textile products

**Durables:** radio, watches, TV, bicycles, kitchen appliances, two wheelers.

**B. INDUSTRIAL MARKET:**

**Consumable products:** seed, fertilizers, pesticides, animal feed, diesel, pharmaceutical products

**Durables:** tractors, agriculture motors/ pumps, generators, boats, harvesters, etc.

**C. SERVICE MARKET:**

**Services:** repairs, transport, healthcare, education, communication, electricity, insurance, etc.

**IV. DIFFERENCE BETWEEN URBAN & RURAL CUSTOMER**

Before discussing the topic it is essential to understand the fact that traditional marketing tools & techniques used in urban areas are not applicable in rural context. The major fact is primary technology deterministic nature, which implies that technology is the primary factor determining cultural changes of a particular market place set-up.

Firstly India has traditionally been an oral collectivistic culture hence in a tribal society, communication is primarily oral.

Secondly, the villagers are more conservative buyers than their urban counterparts. Their desire to innovate with new product is restricted.



Thirdly, social class structures are rigid & formalized. We may therefore remember the fact that feudal systems are still prevalent in Rural India.

In an urban individualistic society, literacy rates are higher due to rapid industrialization provided by mechanized means. The Urban Man is therefore passive, individualistic in nature, being brought up on technology, primarily print i.e. books. The linear nature of print technology therefore brings in passive, rational thinking on the part of the Urban Man.

In contrast, in an illiterate collective culture, affiliation needs are stronger; therefore a villager's highest priority is to identify himself with his tribe. There is a feeling of collective identity felt by villager.

In summary, the rural culture is by nature, non-linear, collectivistic & irrational unlike a linear, sequential & rational urban culture. Articulation of the rural villager's motivations and attitudes is difficult when exposed to rational means of testing.

**4.1 Understanding Rural Consumers**

Rural customers are fundamentally different from their urban counterparts, and different rural geographies display considerable heterogeneity, calling for rural specific and region-specific strategies.

In an urban family, the husband, wife and often the children too involved in the buying process. But in a village, because women have very little contact with the market the male makes the purchase decision. Further, while an urban individual is free to take independent purchase decisions, community decision making is quite common in a village, because of strong caste and social structures and low literacy levels.

Companies that have taken trouble to understand rural markets have tasted success. Arvind Mills's market research found that even the cheapest branded jeans were beyond the reach of rural males; also, there was scepticism towards ready-mades. Arvind introduced ready-to-stitch Ruf & Tuf jeans at **Rs 195**, against the organized sector price range of **Rs 150-300**. Distribution was a critical issue. The product was made available in local retail outlets in locations with a population of up to **5,000**. Village tailors were trained and provided with additional machine accessories required for stitching heavy denim cloth, as the success depended on the local tailor's finesse. **In the first two months**, demand crossed a million pieces and within 18 months five million kits were sold. Truly would any of us have imagined Indian farmer in jeans? Other recent successes, such as 'Tiger biscuits from Britannia, 'Sampoorna from HLL, TV from LG or 'A1' tea from Hindustan Lever should convince us that many more treasures await marketers who dare to dream rural.

Classification of Products in Indian Rural markets				
Goods	Product Type	Buying Frequency	Buying Decision	Buying Place
Convenience goods ( Toiletries, Cosmetics,	Consumables	Frequent & High	Simple	Paan shop, Kirana stores, Co-op stores & Mandi
Shopping goods (Clothing, Furniture, Appliances)	Durables	Moderate	Complex	Fairs, Haats, Mandi and Feeder town
Specialty goods (2 Wheeler Tractors, Camera etc.	Durables	High	Very Complex	Shops in town or Cities

(Source: hindustan-lever-rural-marketing-strategies-8-728)

**Figure-1:**

Contribution of 'Rural Market' to All- India Market

Sr No.	Product Category	Name of the Product	Contribution Rural Market (%)
1	Washing & Cleaning Material	Detergents & Washing Powder	55.0
		Bars	68.0
2	Toiletries	Premium Soaps	26.0
		Popular Soaps	50.5
		Tooth Paste	39.0
		Tooth Powders	24.5
		Shampoos	16.5
		Safety Razor Blades	58.0
		Shaving Rounds	42.0
		Shaving Creams	8.0
3	Cosmetics	Talcum Powders	43.0
		Hair Oils	25.0
		Acne Preparations	23.0
4	Food & Beverages	Packaged Tea	45.5
		Coffee	18.0
		Milk foods	22.0
		Beverages	15.0
5	OTC	Glucose Powder	42.0
6	Misc.	Batteries	59.0
		Torches	33.0

(Source: hindustan-lever-rural-marketing-strategies-10-728)

Figure2:

#### 4.2 Marketing strategies for selling to rural India

Understand rural people, their customs and traditions. Be respectful while dealing with them. Build relationships and sustain them. Exercise patience as rural people sometimes take more time in decision making than urban consumers. Business policies/ tools: offer repayment facilities in installments; as credit default is socially not accepted into rural areas. Recognize that turnover and volume growth will come from the rural markets while the urban markets will provide the margins. Use of marketing research for finding out specific product needs, product preferences, usage patterns and attitudes towards consumption specifically targeted for the rural segment of the market.

### V. MARKETING MIX

#### 5.1 Product Strategy

Every product, which is a hit in cities, might not work in rural areas. It doesn't necessarily mean that the Indian villagers are laggards or they belongs to a restricted zone or have traditional mentality. Indian villagers are innovative also and they do accept new technology introduced to them. They can be found purchasing shampoos and even using cellular phones. The only condition is that it must suit their culture & their pocket and it must be proved to them that it's worth the price. The product must also

be proved to be useful and easy to use. If the product is attached to some status – symbol mentality, then surprisingly the villagers can pay some premium also for it. Higher sales of `large horsepower tractors are an example of this phenomenon.

#### 5.2 Pricing Strategy

Price is another or rather the most important phenomena affecting rural markets. The villagers, due to their limited resources, are very price sensitive by nature. Though they can pay a little extra for better quality, the



obvious inclination remains towards lesser prices. In the filed of daily consumables, it means a lot as it directly affects the monthly budget of the consumer. Thus they must be provided with cheaper substitutes or siblings of urban versions of the product so that it could click in the rural market. For rural products, the strategies must be to cut the middlemen margins, cutting the advertising costs and keeping lower stocks to reduce transaction costs and passing these benefits to customers to further increase the turnover. Obviously, rural consumer should not be expected to pay the high prices which his urban counterpart pays. His earnings are much lower and thus his demand also belongs to a different segment, and he must be treated like that only. Reasonably enough as the producers are not sponsoring any music– show in village schools and the villages shopkeeper neither pays 'hafta' nor high rents for his shop, all these savings should be passed to the customer.

### 5.3 Packaging Strategy

A feature which is different from McCarthy's theory and which is getting more and more importance in urban markets also gets further intensified in the rural markets, and that is packaging. Most of population in rural India is illiterate. Thus when they do watch television and go to the shopkeeper for any specific product, then they don't ask for any brand but try to recognize the product by its packing. This is the reason that we found a number of local brands available on village shops imitating the packaging of nig companies like Lakme, Parle, Lux, Colgate etc. Even when they are not sure about their choices, attractive packing makes a lot of difference in reaching the final decision for the customer. It should be decorative and in synchronization with the local culture. Writing product's name in local language can also make a difference in creating consumer awareness and making a sustainable customers-base. The packing size should also be small enough so that storing them should not become a problem for the customer. It also helps in reaching those customers who don't have any savings but earns on daily basis to meet their daily customers who don't have any savings but earns on daily basis to meet their daily requirements, as the smaller packs provides them an opportunity to purchase some minimum quantity of product by paying lesser amount of money.

Figure-3: Promotion Medium in Rural India

Media	Total Number
Mandis	6800
Hatts	47,000
Melas	25,000

Source: Prahlad, C.K., The fortune at the Bottom of Pyramid, 2015, Pearson Education Inc., Publishing as Wharton School Publishing,

### 5.4 Promotion Strategy

The promotion practices always create a real challenge in rural markets because of the villages thin population density and wide spread over remote areas. But the traditional methods of cinema and radio still work very well in rural market. Television and newspapers still have limited access in villages but they directly reach the influential and rich families of the village. Users of these mediums also do mouth publicity for the products, making it more acceptable by the villagers. **Haats, mela** and cultural festivals give another opportunity to reach



the customer directly. The cultural practices and traditions of village also must be given adequate weightage while deciding the promotional strategies for them.

## 5.5 Place Strategy

Place is the next “P” of marketing **mix** and this ‘P’ which is the reason behind the evolution of rural marketing as a different subject. A village as a place is somewhat different from a town or city, thus the general marketing theories can’t be applied directly in the rural market. Reaching the right place is the toughest target attached to today’s rural marketing as most of the products reaches the nearest townships of any village but due to lack of transportation and communication, these products doesn’t reaches the potential rural marketing as most of the products reaches the nearest townships of any village but due to lack of transportation and communication, these products doesn’t reaches the potential rural customer. Some of them purchase these products from towns but it reduces the possible turnover drastically, which could be achieved by directly reaching the customer. Reaching the right place at right time also gives a winning advantage over the nearest competitor in the market.

## VI. CONCLUSION

Rural markets are for marketers with perseverance and creativity. The market is extremely attractive with its vast potential but also provides challenges. It is a high risk area but with the promise of a large customer following as the prize for those who succeed. The key to reducing the risk is to understand the market the consumer needs, and behavior. The rural market is an area of darkness to Indian entrepreneurs. An area which is vast in size but amorphous in detail. And yet, it represents the largest potential market in the country which encompasses over 80% of the population.

Market structure in India is dichotomous having rural and urban markets. There is however no unanimity found in this concept. Rural markets are virgin markets and their size is compelling and attractive. Rural areas have different footing in these aspects and hence separate marketing strategies are necessary to penetrate into rural markets.

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