



## RURAL MARKETING ENVIRONMENT

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### Abstract:

*The Indian rural market with its enormous size and heterogeneous demand base offers great lucrative opportunities to organizations. After all, seventy percent of India's population, 56% of income, 64% of expenditure and 33% of savings come from rural India. The rural share of popular consumer goods and durables ranges from 30% to 60% and also sales to rural India are steadily growing. For the first time since economic reforms began two decades ago, consumption in rural India is growing faster than in urban India. Understanding the importance of rural market this paper is an attempt to study the Indian rural marketing environment and its features.*

### KEY WORDS:

Rural Marketing, Rural Marketing Environment .

### INTRODUCTION

“India's way is not Europe's .India is not Calcutta and Bombay .India lives in her seven hundred thousand villages...”

Mahatma Gandhi , 1926.

Fast pace of technological advancement has revolutionized almost every sphere of social, economic, political and cultural life all across the world .Winds of change are sweeping the Indian Marketplace also. The “seller market” is increasingly getting transformed into “buyers market”. Intensity of competition and high levels of penetration in urban markets have made corporate to take rural markets more seriously. Consistent growth of disposable income amongst rural households and the reach of television have fuelled consumption of new levels(Patro,S & Varshney, S, 2008). The rural economy is witnessing a boom because of socio-economic changes (lifestyle, habits and tastes, economic status), Literacy level, infrastructural facilities (roads, electricity, media), increase in income, increase in expectations and aspirations and government support via various schemes (Giikwad, V.S., 2010).

Between 2009-10 and 2011-12, additional spending by rural India was Rs.3,750 billion, significantly higher than Rs.2,994 billion by urbanites (Liljee Philip,2012).This growth in rural consumption is because of strong increase in rural incomes due to rising non-farm employment opportunities, the government's rural focus through employment generation schemes and increased remittances from rural to urban migrants (Business world ,Economy,2012). According to Rama Bijapurkar & Rajeev Shukla, this consumption spurt is because of the God and acts of government. It is because of good monsoon, increase in support prices of crops, healthy flow of farm credit, one-time loan write-off and sizeable cash outlay from the National Rural Employment Guarantee Scheme. This growth is due to non-

farming sector.

India is classified into around 450 districts, and approximately 6,30,000 villages, which can be segmented in different parameters such as literacy levels, accessibility, distribution networks, income levels, market penetration, distances from nearest towns, etc. This population is always ignored by private sector due to its low -income level, low literacy rate and high cost because of improper infrastructure facilities. The rural market was never looked upon as profit centre due to unavailability of proper distribution channels and media, low awareness and high competition from unorganized players. However, as the growth of urban market started stagnating, need for exploring new market became essential. There has been improvement in living standards of rural population. Rural poverty has declined by eight percentage points, from 41.8 per cent to 33.8 per cent, and urban poverty by 4.8 per cent, from 25.7 per cent to 20.9 per cent over the period 2004-05 to 2009-10 (Bhalchandra,K., Rural Poverty,2011 ). Rural Indian households are spending more on consumer goods like durables, beverages and services than five years ago. In fact, when the global recession hit urban demand two years ago, it was strong rural demand that rescued the economy (Economic Times,2011).

**OBJECTIVES :**

To study the concept of Rural Marketing  
To understand Indian Rural Marketing Environment

**METHODOLOGY**

Exploratory research design is used for conducting this study. The objective of this study is to explore features rural marketing environment, its problems, challenges and opportunities. The study is based on secondary data which is collected from books, journals, periodicals and news papers.

**PART A**

**Definition of Rural Marketing**

In earlier days rural marketing has quite often been defined in a narrower sense to include only marketing of agricultural production. Whereas over the period of time with the advent of commercial and modern farming techniques ,the demand for inputs like fertilizers, pesticides, cattle and poultry feeds, high yielding varieties of seeds and agricultural machineries like tractors, power tillers, combine harvesters, winnowers, and threshers has increased. With this many manufacturing industries entered rural market and making it a two way process (Gopalswamy, T.P, 2009).

Rural marketing can be defined as any marketing activity in which one dominant participant is from a rural area. This implies that the rural marketing consists of marketing of inputs (products and services) to the rural market as well as marketing of outputs from rural markets to other geographical area (Kotler,P, Keller K., Koshy A., Jha M.,2009).

The urban to rural flow covers goods and services of all agriculture inputs like fertilizers, pesticides, seeds, tractors, power tillers etc., consumables like bath and washing soaps, detergents, cosmetics, cigarettes, beverages etc , and consumer durables like bicycles, mopeds, television sets, radios, clocks, electrical goods, etc.

The rural to rural flow limits production and consumption within the rural area itself. Examples of such products are bamboo baskets, ropes, small agricultural tools like plough shares etc.. Mainly it is the artisans like blacksmith, carpenters and cobblers, who cater to the professional and household needs of the rural people.

The rural to urban flow deals with a wide range of products. Agriculture products like food grains, oilseeds, cotton, sugarcane, milk products and others are consumed by urbanites after due processing.

It is estimated that 40 to 45% of raw materials required by such industries flow from rural areas even today (Gopalswamy, T.P, 2009).

The cells 1, 2 and 3 represent the domain of rural marketing (Mitheshwar Jha, 1988).

**The Domain of Rural Marketing**

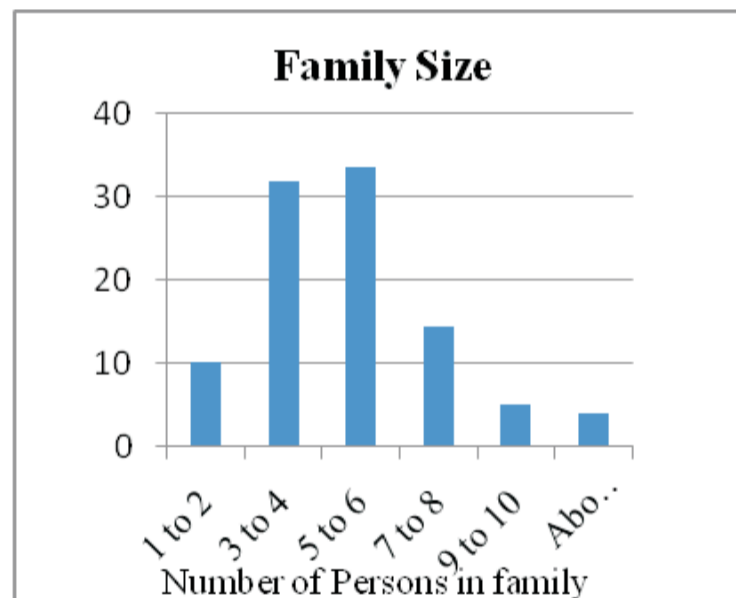
Product Flow	To		
	Rural location	Urban location	
From	Rural location	1	2
	Urban location	3	X

**PART B  
Rural Marketing Environment**

The Rural marketing environment is complex and is changing continuously. It consists of:

**RURAL POPULATION AND HOUSEHOLDS**

Rural population forms a major chunk of Indian population and it has grown by over 200 million over the last two decades. Though the percentage of rural population to total population shows a slight decrease over the years, in absolute numbers rural population continues to increase at a higher rate than the urban. There are 205.9 million households in India, of which 30% are in urban areas and 70% in rural areas.



(Source: Krishnamacharyulu C.S.G., Ramakrishnan L “Rural Marketing text and cases ,2011,pn 45)

The average family size in rural area is 5.08 which is larger than urban one i.e. 4.81. Due to changes in socio economic factors (education, separate sources of income, migration, etc.) the structure of rural families are now gradually moving towards the nuclear model in rural areas

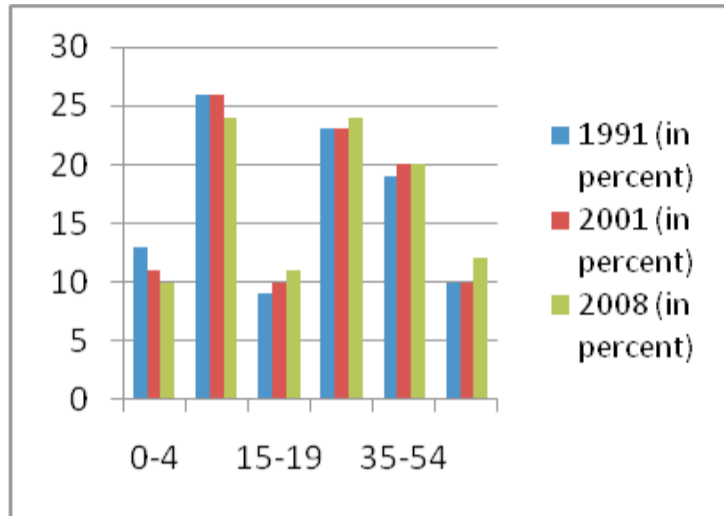
**Age**

One of the important growth drivers for rural economy is the age of rural consumer. 35% of rural

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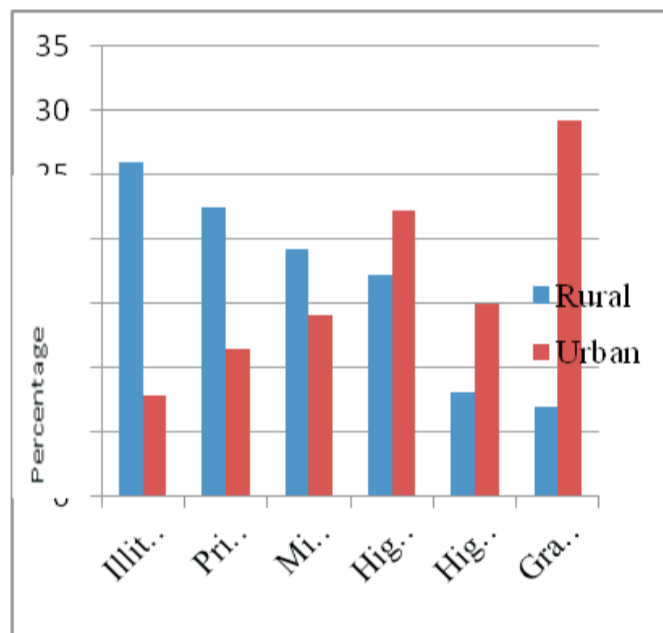
population is in the consuming age group of 15-34 years.



Source: Census 1991,2001, and DLHFS 2007-08)

**Literacy level**

The literacy level in rural area is less than urban. As per census survey 2001, the literacy level in rural area was 59% where as it was 80% in urban area. In fact the number of literates in rural areas was 367 million which was more than urban literates i.e. 200 million. The literacy rate has gone up from 53% in 2000 to 63% in 2010.

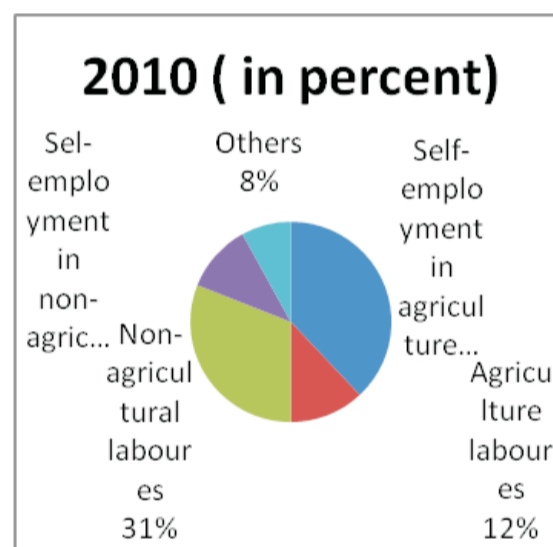
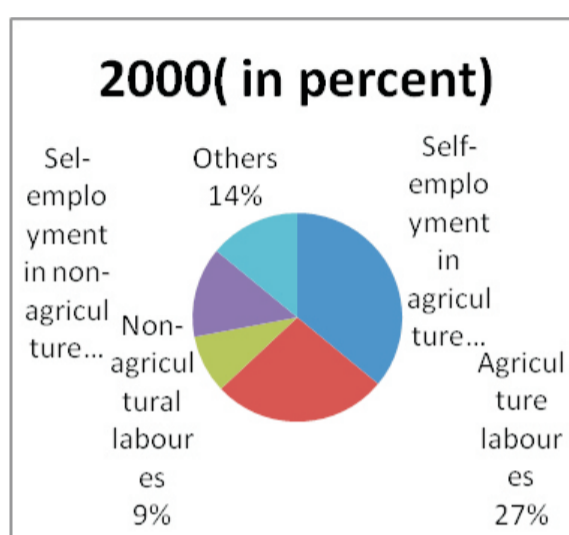


Source: Krishnamacharyulu C.S.G., Ramakrishnan L “Rural Marketing text and cases ,2011,pn 47)

**Occupation**

The main occupation for vast majority of rural population is agriculture and allied activities. With the

changes in socio-economic and technological factors agriculture is now being replaced by non-traditional occupations, including shop/trade, skilled work and salaried jobs. On account of land fragmentation, declining profitability in the farm sector, and increasing nuclearization of families more number of people are giving up farming activity. In near future rural Indian economy will no more an agrarian economy. As per an Edelweiss-MART survey (2010), 30 percent of rural households have a supplementary occupation. Out of these, 56% households started self-employment in agriculture as their supplementary occupation.



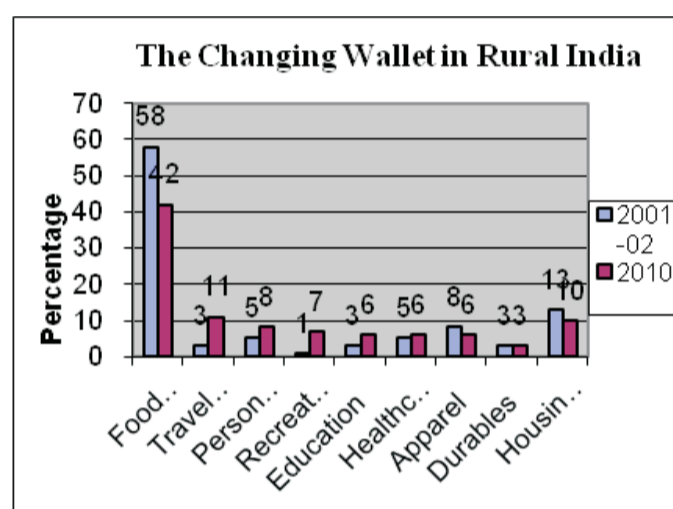
**Land ownership**

The basic resource in agriculture is land therefore land distribution is major factor in deciding the distribution in rural income. The ownership of land is not only a basic input for agriculture; but it is also a symbol of security, power, prestige and social standing. The distribution of land is highly skewed. It is found that nearly 40% of rural households in India do not possess any land while 30% own 0.1 to 2 acres of land. The average size of households as well as per capita income is positively related to land holding. As land distribution is uneven, the income distribution is also uneven.

**Income**

Rural income constitutes around 56% share of total income in India. The per capita income of rural

households is about half of the urban households. The poverty ratio (21.7%) as well as the population below the poverty line (159 million) is much higher in rural areas when compared to urban areas. The number of earning members in urban households (1.43) is slightly higher than rural households. The per capita income for rural India has increased from Rs 4,860 in 1994-95 to Rs 10,227 in 2004-05. As per Edelweiss-MART survey -2010, the per capita income of rural household was estimated at Rs. 15,173. The occupation pattern dictates the pattern of income generation also. The main source of income is from agriculture and agriculture related activities. The majority of households in rural areas are in the income range of below Rs 2000 per month. The average income of households headed by graduates in rural areas is about 3 times that of the illiterate chief earning members. As per the reports of Ministry of Health and Welfare, there is almost 80% increase in surplus income of rural people from 2005 to 2010. Also there is change in expenditure pattern of rural people; expenditure has increased more on traveling, personal care products, recreational and educational activities.



### The physical environment

The physical environment in rural area comprises of settlement size and rural housing structure.

#### Settlement

One of the deterrents for the marketers to exploit the rural market potential has been the vastness of area to be covered and the location of population. Villages comprises of home stead land (abadi) where framers normally live and cultivated land. The housing pattern is based on kinship, cast on religious groups.

In the last decade, villages with population less than 500 have decreased by 5%. These villages do not have any shop and are dependent on near by markets. 25,000 villages from the 'less than 500 population' category have upgraded to 500+ population category.

Villages in the 2000+ population strata are most prosperous. These villages have around 16 shops. As per the 2001 census survey, 17% villages in this category account for 50% of rural population and 60 percent of rural wealth. In the last decade, almost 23,000 villages have been upgraded to 2000+ population category.

#### The rural housing pattern

One of the indicators of socio economic class in rural area is the type of house. Over the last 20 years the trend in house type has changed dramatically, from less permanent, semi-pucca or kuccha, to more permanent pucca types. It is found that 62% of rural houses are pucca, owners of such house possess sufficient disposable income. A majority of low income groups lives in kuccha houses.

#### The Social and Cultural Environment

The rural market is not only a scattered market, but is also diverse and heterogeneous. Rural

consumers are diverse in terms of religious, social, cultural and linguistic factors.

**The village Community**

The traditional village system was cashless, stable, and self-sufficient economy system. Due to developmental and socio-economic changes, this system collapsed and has become more open and dependent. The interaction among community members in rural area is frequent and intense as compared to urban one. Almost all festivals are celebrated in rural areas and major purchasing is done either after harvesting or during festivals seasons or at the time of family occasions. The major decisions are taken collectively and after the consultation with elders and community leaders. The village administration is governed by Grampanchayat, part of three tier Panchayat Raj structure.

The Gender discrimination in rural is decreasing, the status of women in villages is improving.  
The technological environment

The technological environment up gradation has resulted revolution in rural economy. This resulted because of farm mechanization and adoption of Information and Communication Technology, leading to transformation of rural consumers with increased consumption of new product and services.

**Rapid mechanization**

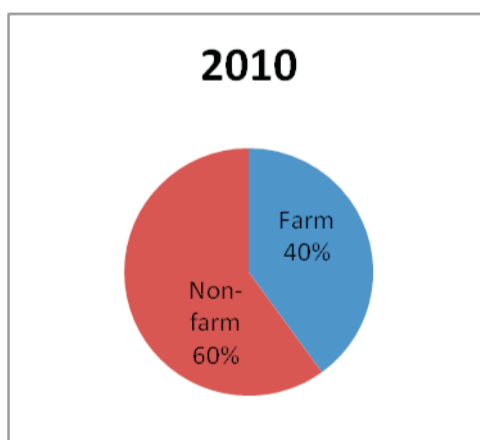
Rapid mechanism has contributed much for green revolution in India. Mechanization, primarily driven by the increased use of tractors, is replacing manual and animal labor. The share of tractor power has increased from 30 to 46 percent between 1990-91 and 1995-96, at the cost of decline in the share of animal power from 16 to 7 percent for the same period. All these have resulted in better productivity in agriculture. The information and communication technology revolution improved the connectivity, skills of rural youth and access for information. The evolution of computer, internet and mobile phones has change the lifestyle of rural people.

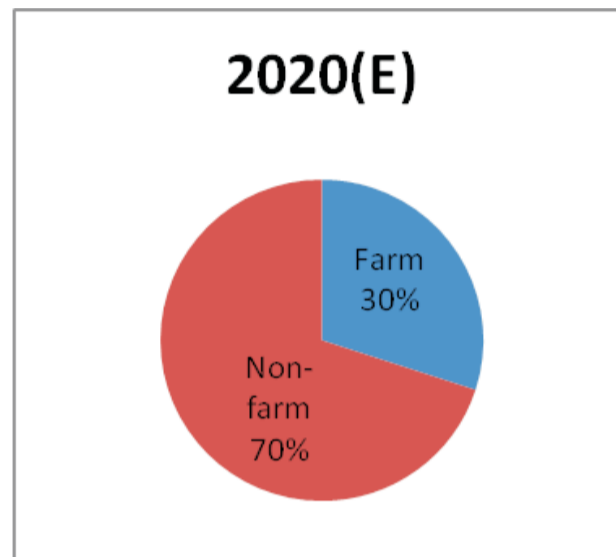
**Economic environment**

The importance of Indian rural economy can be understood from the fact that nearly 70 percent of India's population, 56 percent of its income, 64 percent of its expenditure, and 33 percent of its saving come from rural part. Economic liberalization and government lead infrastructure development has opened up rural economy. It has changed from slow growth, self sufficient agriculture economy to fast-growth economy. the resilience of rural economy during the recent economic recession was remarkable.

Nominal rural GDP has increased to over 12 percent per annum in the last few years, the highest for any three year period in several decades (Kashyap P.,2012). There has been significant improvement of human development indicator due to increase in rural literacy levels, improvement in health indicators, and increase in per capita expenditure, improvement in housing, decline in poverty levels, and increase in life expectancy.

The rural economy has undergone a structural shift, from predominantly farm-based to a mix of farm, of farm, and services economy. The transition has occurred at three levels – food grain crops, on land activities and farm activities.





## PART C

### FINDINGS & DISCUSSION

The Indian rural market is undergoing a massive change. These Socio-economic changes resulted in shift of a marketing battle field from cities to villages. The factors influencing the decision of companies to enter rural market can be divided into three categories as given below:

1. Urban push factors
2. Rural pull factors
3. Rural Inhibiting factors

#### 1. Urban Push factors

Selling to urban consumers is no more a profitable business, which compelled companies to think of rural market. This is because of following reasons:

##### Saturation Stage

The demand for many durable and personal care products has stagnated and reached to maturity stage. The penetration level for many FMCG products is above 90%.

##### Fierce Competition

The attractiveness of urban market resulted in entry of too many brands and fierce competition.

##### Changing lifestyles

The urban market is very dynamic and dominated by the youth. This forced companies to try innovative strategies.

#### 2. Rural Pull factors

##### Rising affordability

The selling to Rural India has become more profitable now days. Companies are attracted towards rural India because of its vast size (70% of India's population), shift in occupation pattern (Agricultural to



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non agricultural activities), increase in income (The per capita income for rural India has increased from Rs 4,860 in 1994-95 to Rs. 15,173 in 2010), increase in consumption (Expenditure as a percentage is higher in many categories like food, FMCGs, Clothing, Footwear etc) and increase in disposable income.

### Growing acceptance

The demand for branded products in rural market has increased due to increase in literacy rate (from 53% in 2000 to 63% in 2010) and change in lifestyle of rural consumers.

### Improving accessibility

The rural connectivity is considerably improved in past few decades. The improvement in infrastructure facility, communication network (increase in mobile users) and media reach increased the accessibility to rural India.

### CSR activities

The social activities implemented by leading corporate like HUL, ITC etc generated demand and new avenues in rural market.

## 3. RURAL INHIBITING FACTORS

The inhibiting factors which make rural market more complex and challenging are:

- Uneven development
- Vast and Scattered market
- Access difficulty
- Seasonal and Irregular demand
- Diversity in occupation
- Low standard of living
- Heterogeneity in lifestyle and Lack of desire for new lifestyle
- Lack of steady and sustainable consumption
- Low level of education
- Limited awareness and acceptance
- Multiplicity of language
- Competition from unorganized sector and fake products

## CONCLUSION

Rural market is attractive but at the same time challenging also. The unique features of rural market force companies to act differently. The 4 P's of marketing- product, price, promotion and place – have been the standard by which every marketing strategy has been developed in the past. This approach was designed for urban markets, but the distinctiveness of rural market demands more customized approach.

The 4 A's of marketing – affordability, availability, awareness and acceptability provides a more customer oriented solution for designing an appropriate marketing strategy for rural markets.

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