

Realistic assessment of marketing reforms in rural India

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Abstract

The Indian rural market with its vast size and demand base offers a huge opportunity that MNCs cannot afford to ignore. With 850million consumers, the rural population is nearly three times the urban. Rural markets are regarded as organizations for marketing non-farm products in a traditional setting. Still, Marketing in India, does not appear to be paying enough attention to rural marketing either in content or in advertising and in tapping and exploration. Rural consumers are different from Urban consumer in terms of Income, Education, Family back ground and other demographic aspects The drivers of behaviour are different, motivations and aspirations are different. Developing rural markets is one of the major concerns of government and Non-governmental organization in India.

Keyword: rural marketing, government initiatives, rural consumer behavior, grassroots empowerment

Introduction

The hinterlands in India consist of about 650,000 villages which constitute the base of the Indian economy which is emerging into a market oriented economy in which, it is needless to say, rural marketing made up of agriculture and related sub-sectors like forestry, animal-husbandry and others play a crucial role. Around 850million consumers are inhabited in the villages, making up for about 70 per cent of population and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing to increasingly resemble the consumption patterns of urban areas. India's largest consumer companies like HUL, IITC etc. serve one-third of their consumers from rural India. Marketing is not sheer population numbers but also their income and propensity to consume, as demand means, in marketing terms, effective demand (D), which is desire plus capacity to spend. Rural India provides a large and attractive investment opportunity by owing a favourable changing consumption trend as well as the potential size of the market for private companies. Rural consumers are different from Urban consumer in terms of Income, Education, Family back ground and other demographic aspects (Verma, 2013).

Actually, marketing in India, does not appear to be paying enough attention to rural marketing either in content or in advertising and in tapping and exploration. Say, there are almost nil Malls in the countryside. It is urban India, made up of metros to small towns, which appears to be the marketing concentration in the country. Rural marketing, even as it is, is a vibrant one, extending from weekly mandis to modern stores, with a far more potential. It is a marketing world in itself.

Building a Supply Chain for Rural India is one of the most critical aspects for a developing nation. Approximately 60% of India's population is rural & 800 million people is expected to live in rural India in the 2040-50s making rural supply chains in India the next big opportunity. To transform rural India to a confluence of vibrant business activities innovation combining significant improvement in products and processes as well as in business and service models is needed (Anurag Das, 2016). The rural market is not "urban" with a time lag. Nor is it a

"poorer" market where smaller versions of what sells in urban India work. The drivers of behaviour are different, motivations and aspirations are different. Rural markets offer a great scope for a concentrated marketing effort because of the recent increase in the rural incomes and the likelihood that such incomes will increase faster because of better production and higher prices for agricultural commodities (Rani & Shrivastav). In case of rural marketing, the marketing mix has changed from the traditional '4 Ps' to the new '4 As', i.e., affordability, awareness, availability and acceptability (Pallavi, 2011). Majority of rural markets is comprised of underdeveloped markets as well as poor people. Most of the rural people are traditional stoical and bound. Most of the people living in the below poverty line believe in traditions, old customs, practices, taboos and habits. MNC's are expected to market those products and services to the rural markets that are not opposing their traditional belief system and would attract them on a large scale (Sharma, 2014) & (Ahmed, 2012a)



Fig 1

- The Fast Moving Consumer Goods (FMCG) sector in rural and semi- urban India is estimated to cross US\$ 100 billion by 2025

- The rural FMCG market is anticipated to expand at a CAGR of 17.41 per cent to US\$ 100 billion during 2009–25
- Rural FMCG market accounts for 40 per cent of the overall FMCG market in India, in revenue terms
- Amongst the leading retailers, Dabur generates over 40-45 per cent of its domestic revenue from rural sales. HUL rural revenue accounts for 45 per cent of its overall sales while other companies earn 30- 35 per cent of their revenues from rural areas

As is the trend with urban India, consumers in the rural regions are also expected to embrace online purchases over time and drive consumption digitally

Objectives

- 1) To examine the state of rural marketing and the changes therein over time and the policy or policies if any regarding rural marketing
- 2) To look at the determinants of rural marketing and the changes thereon and their marketing effect, and
- 3) To suggest ways and means of improving the rural economy if found lagging and also of rural marketing.

Methodology

It is mainly dependent on secondary data but supplemented by the discussion with some MNC’s officials, academicians &

some rural consumers and farmers. Different research articles reports have been reviewed to make this study more relevant.

Approaches to Rural Marketing

MNCs cannot afford to ignore the vast size, demand base offers and the huge opportunities that the rural market possesses. With 128 million households, the rural population is nearly three times the urban. Some FMCG and durable marketers’ gives much importance of the rural market is underlined by the fact that the rural market accounts for close to 70 per cent of toilet-soap users and 38 per cent of all two-wheeler purchased. The rural market for FMCG products is growing much faster than the urban counterpart. Half of the total market for TV sets, fans, pressure cookers, bicycles, washing soap, blades, tea, salt and toothpowder comes under the rural market accounts. The rural market may seem to be enthralling without its hiccups like- low per capita disposable incomes that is half the urban disposable income; large number of daily wage earners, acute dependence on the vagaries of the monsoon; seasonal consumption linked to harvests and festivals and special occasions; poor roads; power problems; and inaccessibility to conventional advertising media. Still, rural consumers are no way different from their urban counterpart in many ways. The more daring MNCs are meeting the consequent challenges of availability, affordability, acceptability and awareness of products.



Fig 2

i) Availability of Product

The most challenging affair is to ensure availability of the product or service to the consumers in rural India. India's 627,000 villages are spread over 3.2 million sq km; almost 700 million Indians live in rural areas. With the poor state of roads, it is a great challenge to regularly reach products to the far-flung villages. However, India's largest MNC, Hindustan Lever, a subsidiary of Unilever, has built a strong distribution system which helps its brands reach the interiors of the rural market.

ii) Affordability of a Product

The next challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer. Hindustan Lever, among the

first MNCs to realise the potential of India's rural market, has launched a variant of its largest selling soap brand, Lifebuoy at Rs 2 for 50 gm. The move is mainly targeted at the rural market. Coca-Cola has addressed the affordability issue by introducing the returnable 200-ml glass bottle priced at Rs 5 in 2003. This initiative has paid off: Eighty per cent of new drinkers now come from the rural markets.

iii) Acceptability of a Product

The third challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market. One company which has reaped rich dividends by doing so is LG Electronics. In 1998, it developed a customised TV for the rural market and christened it Sampoorna. It was a runaway hit selling 100,000 sets in the very first year. Because

of the lack of electricity and refrigerators in the rural areas, Coca-Cola provides low-cost ice boxes — a tin box for new outlets and thermocol box for seasonal outlets.

iv) Awareness of a Product

This is another challenge. However, the rural consumer has the same likes as the urban consumer; the family is the key unit of identity. However, the rural consumer expressions differ from his urban counterpart. Outing for the former is confined to local fairs and festivals and TV viewing is confined to the state-owned Doordarshan. Consumption of branded products is treated as a special treat or indulgence. Hindustan Lever relies heavily on its own company-organised media. These are promotional events organised by stockists. Godrej Consumer Products, which is trying to push its soap brands into the interior areas, uses radio to reach the local people in their language. Philips India uses wall writing and radio advertising to drive its growth in rural areas.

Government Initiatives

The Government of India has planned various initiatives to provide and improve the infrastructure in rural areas which can have a multiplier effect in increasing movements of goods, services and thereby improve earnings potential of rural areas subsequently improving consumption. Integrated development of rural and undeveloped areas has been an issue of concern throughout the world. In Indian context the thrust of each Government activity since freedom has been to empower marginalized segments of society but the approach has suffered from over exposure and under implementation. One aspect that is emphatically appearing from the studies is lack of awareness, information and initiative among the unprivileged segments of the country. Even the Knowledge Commission reiterated vital need of formation of knowledge society by empowering the masses through assisting them identify and utilize knowledge in resource generation. The masses need to be trained to cope with new situation by fulfilling information needs linking to their priorities and possibilities. Another outcome of developmental studies is that the rural poor have little or no participation in their own developmental efforts which has appeared as a critical bottleneck in initiating and sustaining development of underdeveloped areas. The impact of non-participation is lack of control of the common masses on their own environment which has been the major concern in front of grassroots empowerment. The starting point for development cannot be anything else other than the people themselves. The developmental efforts have often concentrated on physical and economic factors, while the human element is ignored.

The Government has introduced various reforms in the Union Budget 2017-18 to uplift the rural markets. The Government of India has sought Parliament's approval for an additional expenditure of Rs 59,978.29 crore (US\$ 8.9 billion), which will be used to support the government's rural jobs scheme, building rural infrastructure, urban development and farm insurance. They are taking initiatives to integrate villages with country's economic mainstream by purchasing around 80,000 mini-buses, which will connect over 125,000 villages to markets and thereby provide access to better job and education prospects. Prime Minister Mr Narendra Modi has launched the National Rurban Mission with the aim of enabling cluster based development and creating smart villages which will complement the smart cities initiative. Even E-commerce

players like Flipkart, Snapdeal, Infibeam and mobile wallet major Paytm have signed Memoranda of Understanding (MoUs) with the government to reach rural areas by connecting with the government's common service centres (CSCs) being setup in villages as part of the 'Digital India' initiative. With the increasing demand for skilled labour, the Indian government plans to train 500 million people by 2022, and is looking out for corporate players and entrepreneurs to help in this venture. Corporate, government, and educational organisations are joining in the effort to train, educate and produce skilled workers. Government is aiming to improve the efficiency of electricity distribution and thereby providing uninterrupted power supply to rural regions of India.

To promote agriculture-based businesses, the Government of India has started 'A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE). Under this scheme, a network of technology centres and incubation centres would be set up to accelerate entrepreneurship and to promote start-ups for innovation and entrepreneurship in agro-industry. They plans to form a committee to study various innovations and submit their reports to the concerned Department or Ministry. The programme called the 'Nav Kalpana Kosh' aims to improve rural areas at various levels, such as governance, agriculture and hygiene et.al.

The core of a scientific approach is to understand the market opportunities for rural products along with the country's development priorities and to chalk out a strategy where rural industries have an important role to play. While rural products are forced to increasingly become part of global supply chains, these products need to adapt themselves, not only according to the changing tastes of the national market, but also according to changes in tastes in the international market. This process should ensure the participation of rural people as consumers and producers in the globalization mechanism, with better livelihoods and global access to markets. Some of the successful initiatives of government are:-

- The Maharashtra State Agriculture Marketing Board (MSAMB) operates 31 such farmers markets in the state involving farmers' cooperatives, farm producers' organizations (FPOs), farmers' self-help groups (SHGs) and farm produce companies. Out of these 31 markets, 25 are in Pune.
- Agricultural Produce Market Committee (APMC), Ahmedabad established in the year 1951 commenced functioning in 1952 by making the provisions under "Agriculture Act 1965 & rules 1963" in order to facilitate the sale of Agriculture produce. One of the biggest markets in Gujarat for vegetables, the market is spread over a notified area of 1, 30,511 square kms catering to entire Ahmedabad city including Choryasi taluka including 110 villages and handles the regulated commodities including green leafy vegetables, ginger, chillies, raw mangoes, turmeric, onion, tomatoes, sweet potato, groundnut, lemon, all types of flowers, fruits (orange, custard apple, banana, sapota, strawberry, pomegranate, papaya etc. The market has recorded the total arrivals of 916158 MT with a value of Rs 1051.05 crores during 2012 – 13. Approximately 6000 – 10000 people come daily for trading purpose in the market.

Conclusion

Rural consumers are different from Urban consumer in terms

of Income, Education, Family back ground and other demographic aspects. But, Indian rural market with its vast size and demand base offers a huge opportunity. The sustainable development intervention in the rural areas largely depends on the successful and effective implementation of rural development programmes. However, the issues, challenges and concerns relating to the implementation of the rural development programmes have remained more or less the same. The core of a scientific approach is to understand the market opportunities for rural products along with the country's development priorities and to chalk out a strategy where rural industries have an important role to play. The need of the hour is the convergence of all development interventions at the grass-root level so as to enhance necessary infrastructure in the backward regions and ensure capacity building and skill up-gradation.

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