

A

Seminar report

On

Rural Marketing

Submitted in partial fulfillment of the requirement for the award of degree
Of MBA

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Preface

I have made this report file on the topic **Rural Marketing**; I have tried my best to elucidate all the relevant detail to the topic to be included in the report. While in the beginning I have tried to give a general view about this topic.

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Content

- Introducción
- Evolution of rural market
- Characteristics of rural market
- Rural consumer
- Potential for rural market in India
- Challenges in rural marketing
- Strategies to capture rural market
- Conclusión
- Reference

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Abstract

Indian rural marketing has always been complex to forecast and consist of special uniqueness. However many companies were successful in entering the rural markets. They proved that with proper understanding of the market and innovative marketing ideas, it is possible to bag the rural markets. It is very difficult for the companies to overlook the opportunities they could from rural markets. As two-thirds of the Indian population live in rural areas, the market is vast than expected. For the companies to be successful in rural markets, they have to overcome certain challenges such as pricing and distribution.

This paper on rural marketing gives examples of two companies who were successful in rural areas with their innovative marketing strategies. They found the way-out for the challenges to become successful. They believed that it is patience which is important to gain loyal customers than entering the rural with aggressive marketing. By introducing the products in to rural markets, companies are not changing customers' tastes and preferences but their habits which is most challenging and in which case if the customer is dissatisfied, it will become more difficult to regain the trust or may be never possible.

Introduction

What is Rural?

According to the census of India, villages with clear surveyed boundaries not having a municipality, corporation or board, with density of population not more than 400/sq.km and at least 75 per cent of the male working population engaged in agriculture and allied activities would qualify as rural. So, from the above stated conditions, there are 638,000 villages in the country. Of these, only 0.5 cent has a population above 10,000 and 2 per cent have population between 5,000 and 10,000. Around 50 per cent has a population less than 200.

But, FMCG and consumer durable companies are considering a territory as a rural market which has more than 20,000 and below 50,000 population. According to them, class-II and class-III towns are considered as rural. According to the census of India 2001, there are more than 4,000 towns in the country that are categorized as Class II and III Towns based on the population. Size of rural market is estimated to be 42 million households and rural market has been growing at five times the pace of the urban market.

Rural Marketing

The concept of Rural Marketing in India Economy has played an influential role in the lives of people. The rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioral factors operating in the country. Rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. The rural market in India is vast, scattered and

offers a plenty of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers.

'Go rural' is the slogan of marketing guru's after analyzing the socio-economic changes in villages. The Rural population is nearly three times of the urban, so 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 agri-input products such as seeds, fertilizers, pesticides and farm machinery.

However, the success of the product in the rural market is as predictable as rain. It has always been difficult to understand the rural markets. Marketers need to understand the social dynamics and attitude variations within each village. But by overcoming the challenges and looking into the opportunities which rural markets offers to the marketers it is said that the future is very promising for those who understand the dynamics of rural markets and exploit them to their best advantage. 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. 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.

To expand the market by tapping the countryside, many MNC's are foraying into India's rural markets. Among those that have made headway are Hindustan Liver, Coca-Cola, LG electronics, Britannia, Colgate Palmolive and the foreign invested telecom companies. These companies' foreseeing the vast size and demand in the rural market cannot afford to ignore. Rural market accounts for half the total market for TV sets, Fans, Pressure cookers, bicycles, washing soap and tooth powder where FMCG products in rural products in rural markets is growing much faster than the urban counterpart.

Classification of Rural Consumer

1. **Affluent Group:** This group is very small and almost negligible. This group can afford luxury products. E.g. chilly merchants in Guntur (AP) and wheat farmers in Punjab.
2. **Middle Class:** This class is about 300 million in size and continues goes on expanding. It forms the base for demand of manufactured goods in the country. E.g. jute farmers in West Bengal and sugarcane farmers in UP.
3. **Poor:** This class is about 250 million in size. Their purchasing power is very low. E.g. poorest farmers of jawar and bajra of Bihar and Orissa.

Strategy

Rural Marketing Strategy:

Rural marketing strategy is based on their A's – Availability Affordability and Acceptability. The first 'A'-Availability emphasises on the availability of the product for the customers, i.e., this gives importance on effective distribution through efficient channels of distribution.

The second 'A'- Affordability which focuses on product pricing, i.e, this gives importance for smaller packages/pouches easily affordable by families in the rural areas, The third 'A' – Acceptability focuses on convincing the customers to buy the product, i.e., extending suitable promotional efforts to influence the customers to buy the product. Marketers need to understand the psycho of the rural consumers and then act accordingly.

Rural marketing involves more intensive personal selling efforts compared to urban marketing. Firms should refrain from pushing goods designed for urban markets to the rural areas. To effectively tap the rural market a brand must associate it with the same things the rural consumers do.

This can be done by utilizing the various rural folk media to reach them in their own language and in large number so that the brand can be associated with the myriad rituals, celebration, festivals, melas, fairs and weekly hats.

(e) Rural Distribution Strategy:

One of the ways would be using company delivery mass, which can serve two purposes – it can take the products to the customers in every hook and corner of the market and it also enables the firm to establish direct contact with them and thereby facilitate sales promotion.

However, only the large manufactures can adopt this channel. The companies with relatively fewer resources can go in for the syndicated distribution where a tie-up between non-competitive marketers can be established to facilitate distribution.

Back-haul method for the distribution vehicles:

Organising a suitable back-hual method for distribution vehicles may prove to be an economic to transport the “urban goods” like soap, detergent, oil, cream, shampoo, tooth paste, and other daily necessary items for the rural consumers and in the return journey, the energy verticals will transport the fruit and vegetables etc. from rural areas to the nearest towns and cities for distribution among the urban consumers.

But this needs a well co-ordinated “VMS” distribution strategy in which the manufacturer, distributor/relation and the customers jointly make a strong distribution chain. Annual “melas” and “fairs” organized are quite popular and provide a very good platform for distribution because profit visits them to make several purchases. According to the Indian Market Research (IMRB) Bureau, around 8000 such nulas and fairs are held in the rural India every year.

Rural markets have the practice of fixing specific days in a week as weekly market days, i.e., “Haats” when exchange of goods and services are carried out. This is another potential low cost distribution channel available for the marketers.

Also, every region consisting of several villages is generally served by one satellite town, formed as “Mandia” or Agri-markets where people prefer to go and buy from their commodities. The marketers using their feeder town will be able to cover a large section of rural population.

The other distribution strategies for the rural population are as under:

- i. The general insurance companies may promote their policies of health insurance, crop insurance and vehicle insurance through the existing co-operatives.
- ii. Marketers may arrange more number of ware-houses for storage and re-packaging into smaller pouches for which employing local villages will work profitable and popular.
- iii. All communication in the rural areas must be in the regional language and dialects.
- iv. Markets need to develop innovative packaging technology which would be economic, protective and improve shelf-life of goods.
- v. In addition to focusing on targeted promotions and advertising, there is an urgent need to work on economical packaging, dual pricing and special size of PMCQ and household products.
- vi. Marketers need to place emphasis on retailers directly rather than depending on the wholesalers for distribution in the rural market as this has not proved to be very effective marketing channel.
- vii. Marketers targeting the rural market should be well aware about the seasonality of the business. Because the trade is seasonal, employment and disposable income can fluctuate arrange the villages during the year. This means that business should view market research data that relies on yearly aggregate statistics with caution.
- viii. Marketers must trade off the distribution cost with incremental market penetration.

Exploring the Indian Rural Market Potential!

The emergence of middle class and rich farmers as the dominant consume community in the rural India can be regarded as one of the most note-worthy development in India. It has grown in size and prosperity, its disposable income has gone up considerably.

There is still much has to be done to effectively exploit the vast untapped market potential in the rural India and some of the private initiatives in this regard are note-worthy. Over the last few years, as the growth in urban markets is tapering off, companies are reorienting their strategies towards the rural markets, which incidentally is the area where most of social sector programme are directed. Companies want to tap the huge underserved rural market and would operate even at lower margins considering the possibility of generating huge volumes.

The new millennium developments in soft drink and .detergent industry confirm the intention of companies to penetrate into rural markets to brand base their sales. Indians as well as multinational companies are spending considerable amount to know more about the rural consumers, a crucial input in decision making for new product development and pricing strategy.

ITC Ltd. has initiated e-choupal network to help farmers in growing better farm products which in turn lower ITC's procurement cost of wheat and soya beans. Farmers are benefitting by the better prices for their produce which is better in quality due to technical support from ITC and easy availability of information about market prices.

Hindustan Uni-Lever Ltd. (HUL) are targeting huge Bottom of Pyramid population by adopting direct distribution concept in rural market. The company is creating at network of independent individual entrepreneurs who are directly distributing the products of company.

HLL imparts them a basic training in business function, so that their effectiveness in handling their business and clients. Company also has empowered its about 1-5 million individual entrepreneurs with IT systems so that they can collect authentic information about their clients and manage the business better.

Such private initiatives are able to build-knowledge bank on rural economy.

The other private endeavours the rural India are of Arambaug Hatcheries, Venkateswara Hatcheries and Toubro InfoTech etc. In rural market development of the cluster concept is very useful since it gives the economy of scale.

A feeder town which is centrally located for a cluster of villages can serve as the focal point. Rural population is spread and there are villages with few hundred population to few thousand in some. Road connectivity from the feeder town to the village cluster helps in faster growth in marketing endeavours, but the absence of this facility causes great difficulty for markets.

All sorts of possible transport like bicycle, bullock-carts, treckers and buses and tempos are used in the distribution system. Village fairs, hats, circus and magic shows occasions are exploited by marketers for the promotional opportunities.

Many retail shops in the village act as convenient shops and the customer develop stores loyalty for them. The wise marketers should extend their expertise in merchandising, stores layout and counter salesmanship to the rural retailers free of cost in order to enhance their sales volume. This in turn, would increase the sales of the marketers. Availability of finance, particularly in the off seasons, becomes a problem for many farmers.

The marketers on their own interest should take the helps of NGOs, village-cooperatives and the Gram Panchayats for the introduction and effective operation of the micro finance concept similar in line will “The Gramin Bank” of Bangladesh, The brain child of Prof. Md. Yunus.

Factors which contributes to the growth of rural markets

Eight factors which contributes to the growth of rural markets are as follows: 1. Government initiatives 2. Rising literacy levels 3. Infrastructural facilities 4. New employment opportunities 5. Rising mass media 6. Agricultural research 7. Marketing efforts 8. Urban influence.

1. Government initiatives:

The initiatives taken by the Government of India to promote rural markets are as follows:

- a. Self sufficiency (Operation Flood, White Revolution, Blue Revolution)
- b. Integrated Rural Development Program (IRDP), TRYSEM (Training Rural Youth for Self-Employment), REP (Rural Electrification Program).
- c. PSU and cooperative banks lend farmers (for example, ‘Kisaan’ credit card by Canara and Andhra Banks).
- d. Contract farming: Companies give high-yielding variety seeds and tied up with farmers to cultivate crops and sell them back to the company.

2. Rising literacy levels:

As per the 2001 census, about 50 per cent of the rural population is literate. This has contributed to the increase in rural demand. This has changed the buying behaviour of rural consumers and lifestyles. An increase in literacy levels has resulted in an increase in demand for consumer goods.

3. Infrastructural facilities:

There is growth of infrastructure facilities and public service projects in rural India, which includes construction of roads and transportation, communication network, rural electrification and public distribution system. Because of these factors there is scope for rural marketing.

4. New employment opportunities:

Various socio-economic policies of the government have resulted in the development of rural India, which has resulted in new employment opportunities; for example, IRDP (Integrated Rural Development Program).

5. Rising mass media:

Improved penetration of mass media has resulted in the creation of awareness among rural consumers (Press, TV, hoardings, radio, etc.).

6. Agricultural research:

Research in the field of agriculture has resulted in increased scope for rural marketing. In India, agricultural research is being conducted by Indian Council of Agricultural Research (ICAR) and other institutions. Use of new scientific methods has increased the crop yields by manifold. It has led to Green Revolution.

7. Marketing efforts:

A large number of MNCs have entered rural markets. MNCs such as Hindustan Lever, LG Electronics, Godrej, Philips and Bajaj have made innovative marketing efforts in the area of availability, affordability, acceptability and awareness.

8. Urban influence:

The people in rural areas are influenced by the urban people in their buying behaviour and lifestyle. This may be because of the exposure to mass media and the villagers working in towns and cities influence the lifestyles and habits of youth in villages.

Features of Rural Marketing:

The main reason why the companies are focusing on rural market and developing effective strategies is to tap the market potential, that can be identified as follows:

1. Large and scattered population:

According to the 2001 census, 740 million Indians forming 70 per cent of India's population live in rural areas. The rate of increase in rural population is also greater than that of urban population. The rural population is scattered in over 6 lakhs villages. The rural population is highly scattered, but holds a big promise for the marketers.

2. Higher purchasing capacity:

Purchasing power of the rural people is on rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.

3. Market growth:

The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durables such as refrigerators, TV and washing machines has also grown over the years.

4. Development of infrastructure:

There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.

5. Low standard of living:

The standard of living of rural areas is low and rural consumers have diverse socio-economic backwardness. This is different in different parts of the country. A consumer in a village area has a low standard of living because of low literacy, low per capita income, social backwardness and low savings.

6. Traditional outlook:

The rural consumer values old customs and traditions. They do not prefer changes. Gradually, the rural population is changing its demand pattern, and there is demand for branded products in villages.

7. Marketing mix:

The urban products cannot be dumped on rural population; separate sets of products are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers.

Problems Faced in Rural Marketing

Twelve problems faced in rural marketing are as follows: 1. Deprived people and deprived markets 2. Lack of communication facilities 3. Transport 4. Many languages and dialects 5. Dispersed markets 6. Low per capita Income 7. Low levels of literacy 8. Prevalence of spurious brands and seasonal demand 9. Different way of thinking 10. Warehousing problem 11. Problems in sales force management 12. Distribution problem.

1. Deprived people and deprived markets:

The number of people below the poverty line has not decreased in any appreciable manner. Thus, poor people and consequently underdeveloped markets characterize rural markets. A vast majority of rural people is tradition bound, and they also face problems such as inconsistent electrical power, scarce infrastructure and unreliable telephone system, and politico-business associations that hinder development efforts.

2. Lack of communication facilities:

Even today, most villages in the country are inaccessible during the monsoons. A large number of villages in the country have no access to telephones. Other communication infrastructure is also highly underdeveloped.

3. Transport:

Many rural areas are not connected by rail transport. Many roads have been poorly surfaced and got severely damaged during monsoons. The use of bullock carts is inevitable even today. Camel carts are used in Rajasthan and Gujarat in both rural and urban sectors.

4. Many languages and dialects:

The languages and dialects vary from state to state, region to region and probably from district to district. Since messages have to be delivered in the local language, it is difficult for the marketers to design promotional strategies for each of these areas. Facilities such as phone, telegram and fax are less developed in villages adding to the communication problems faced by the marketers.

5. Dispersed markets:

Rural population is scattered over a large land area. And it is almost impossible to ensure the availability of a brand all over the country. District fairs are periodic and occasional in nature. Manufacturers and retailers prefer such occasions, as they allow greater visibility and capture the

attention of the target audience for larger spans of time. Advertising in such a highly heterogeneous market is also very expensive.

6. Low per capita Income:

The per capita income of rural people is low as compared to the urban people. Moreover, demand in rural markets depends on the agricultural situation, which in turn depends on the monsoons. Therefore, the demand is not stable or regular. Hence, the per-capita income is low in villages compared with urban areas.

7. Low levels of literacy:

The level of literacy is lower compared with urban areas. This again leads to a problem of communication in these rural areas. Print medium becomes ineffective and to an extent irrelevant, since its reach is poor.

8. Prevalence of spurious brands and seasonal demand:

For any branded product, there are a multitude of local variants, which are cheaper and hence more desirable. Also, due to illiteracy, the consumer can hardly make out a spurious brand from an original one. Rural consumers are cautious in buying and their decisions are slow, they generally give a product a trial and only after complete satisfaction they buy it again.

9. Different way of thinking:

There is a vast difference in the lifestyles of the people. The choice of brands that an urban customer enjoys is not available to the rural customer, who usually has two to three choices. As such, the rural customer has a fairly simple thinking and their decisions are still governed by customs and traditions. It is difficult to make them adopt new practices.

10. Warehousing problem:

Warehousing facilities in the form of godowns are not available in rural India. The available godowns are not properly maintained to keep goods in proper conditions. This is a major problem because of which the warehousing cost increases in rural India.

11. Problems in sales force management:

Sales force is generally reluctant to work in rural areas. The languages and dialects vary from state to state, region to region, and probably from district to district. Since messages have to be delivered in the local language, it is difficult for sales force to communicate with the rural consumers. Sales force finds it difficult to adjust to the rural environment and inadequate facilities available in rural areas.

12. Distribution problem:

Effective distribution requires village-level shopkeeper, toluca-level wholesaler/dealer, district-level stockist/distributor, and company-owned depot at state level. These many tiers increase the cost of distribution.

Rural markets typically signify complex logistical challenges that directly translate into high distribution costs. Bad roads, inadequate warehousing and lack of good distributors pose as major problems to the marketers.

Conclusion

Indian rural market is undoubtedly complex but there are some simple truths that we need to accept. The rural consumers are very value-conscious. They may or may not have purchasing power, but they can make a difference to the company's growth if concentrated. Gone were the days when a rural consumer had to go to a nearby town or city to buy a branded product.

The growing power of the rural consumer is an opportunity for the companies to flock to the rural markets. Gandhiji believed that **India's future lay in her villages** and rural markets will have a significant part in India's economy. With the technological innovations, infrastructure development and enrichment of human capital in rural areas, backed by policy support by the government recognizes agriculture as one of powerful growth engine.

Reference

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