INFLUENCE THE RURAL MARKET IN INDIA OVER CHALLENGES

Mr. VIKRAM MOHANLAL AGRAWAL
Assistant Professor, IT Department, BVM Engineering College, Vallabh Vidyanagar-388120

ABSTRACT

In recent years rural market have attained importance because there is 68.84% population live in 7, 78, 134 villages. Rural markets have been the buzz word in the Indian consumer market for quite some time. However, only a few companies have managed to make a profit from this market. This market is normally known as micro-market where you want to sell and modifying your model metropolitan and medium size cities as per regional distinctiveness. It would ensure profitable rural growth than metropolitan. In metropolitan, it is difficult to find out the scope of penetration, increase latency level and increase the income but in rural area, these all work as advantages for companies. This paper tries to understand the rural market, its strategies and way to get opportunities. The main aim of to study to observe the potential of Indian rural markets with considering some problems and challenges.

Keywords: FMCG, Rural Consumers, Rural Market.

1. INTRODUCTION

From last two to three decade the rural market was used to attract the bigger player of Indian Consumer Market because now days most of the companies want to move to lavish life of consumers in cities. They think that it is easy to establish foot in big cities than rural area. So there is 70% population of our country was not in consideration to develop business. But now from last decade, an attraction has increased with additional money those are in rural area because of green revolution. From the last decade, there is rise in agribusiness and agri-produce prices and MNREGA is spending much amount over the different schemes to improve the life style of rural and poverty area. In a context of poverty & unemployment, wage employment programs provide unskilled manual workers with short-term employment on public works such as irrigation infrastructure, reforestation soil conservation, road construction etc. These programs provide income transfers to poor households during critical times and so also enable consumption smoothing specially during slack agricultural seasons or years. Durable assets created under these programs have the potential to generate sustainable livelihood. Further more the government agencies like IRDA (insurance Regulatory and
Development Authority) and NCEAR (National Council for Applied Economics Research) define rural as a village with population less than 5000 with 75% male engaged in agriculture, while HUL, ITC and most FMCG companies consider village if the population is less than 20,000. Rural marketing is promotion of a company’s product in the rural market by using strategies which differ from the urban market.

Image 1: - Changing face of Rural India

Source: http://www.livemint.com/Politics/NrJ7f1WnwO8VHSzxYNG7mI/The-changing-face-of-rural-india.html
2. **THE CHANGING FACE OF RURAL INDIA**

   From the following chart we can say that the average rural household spent more on stuff other than food in 2011-12. The share of spending on durable goods e.g. furniture and electronic devices, and entertainment has nearly doubled over the past seven years. Rural spending on clothes, on footwear, on consumer services such as telephone and repairing charges, and on conveyance has also seen a quick jump over the same period. The actual share of these items in rural household budgets is still small, but the absolute size of the Indian rural population means that even small increases in the shares of some discretionary items can translate into large opportunities for consumer companies that have a presence in the villages. After all, 70% Indians still live in villages. And while the average person in urban India remains far wealthier than the average person in rural India. In the past few years the consumption in rural India than urban India is sharply increased. Consumer goods companies have been investing to strengthen their rural distribution networks, as a recent report by Credit Suisse points out. Banks have finalized plans for an expansion of their rural branches over the next few years. It may not be a surprise to see firms in other sectors aiming to expand their rural reach over the next few years.

3. **ARENAS IN RURAL MARKETING**

   **Before 1960’s**
   - It was unorganized market and depended on Baniyas and Mahajans only
   - There was rural marketing means agriculture marketing because it had only primary attention

   **1960 to 1990**
   - The green revolution happened in this duration where farming is done with scientific and technological methods.
   - Rural marketing meant “marketing of agriculture inputs” and “agriculture marketing”.
   - Government started to pay attention and promote agriculture products.

   **After 1990**
   - India’s industrial sector had gain strength and maturity because of GNP increased substantially.
   - Rural marketing meant “marketing of agriculture inputs” and “agriculture marketing”.
   - First time rural marketing consider different from agriculture marketing.
   - Rural marketing in Indian economy can be classified under two broad categories these are: the market for consumer goods that comprise of both durable and non-durable goods and market for agriculture inputs that include fertilizers, pesticides, and seeds and so on.

4. **OBJECTIVE BEHIND RURAL MARKETING**

   After 1990, the rural market is consider as different from agriculture market so the objective of rural market is changed,

   - To study the present scenario of rural market in India because according to Government less than 5000 population with 75% male in agriculture only add as villages, while According the companies which are in business in Rural area they show village with population with 20,000
   - To identify the major opportunities available in the rural market because it totally impossible to get work from only villagers we need people with high skill who can create and also find opportunities in villages.
To study major challenges faced by marketer in rural market. The marketing should be effective and efficient. It should be understand by normal villagers as well important for other people. Always make comparative study during marketing in rural area and urban area.

<table>
<thead>
<tr>
<th>Year</th>
<th>Stock</th>
<th>Share in percent</th>
<th>Stock</th>
<th>Share in percent</th>
<th>Stock</th>
<th>Share in percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>Cars/Jeeps</td>
<td>197</td>
<td>2001-02</td>
<td>389</td>
<td>2009-10</td>
<td>1876</td>
</tr>
<tr>
<td></td>
<td>Motorcycle</td>
<td>2210</td>
<td>6710</td>
<td>50.4</td>
<td>34724</td>
<td>55.4</td>
</tr>
<tr>
<td></td>
<td>Scooters</td>
<td>2496</td>
<td>4416</td>
<td>29.8</td>
<td>6125</td>
<td>32.0</td>
</tr>
<tr>
<td></td>
<td>Moped</td>
<td>2096</td>
<td>3930</td>
<td>42.2</td>
<td>7333</td>
<td>46.6</td>
</tr>
<tr>
<td></td>
<td>Automotive</td>
<td>6999</td>
<td>15445</td>
<td>35.9</td>
<td>50058</td>
<td>42.5</td>
</tr>
<tr>
<td></td>
<td>Television</td>
<td>21411</td>
<td>40605</td>
<td>47.6</td>
<td>63295</td>
<td>44.9</td>
</tr>
<tr>
<td></td>
<td>All Fans</td>
<td>37990</td>
<td>74673</td>
<td>49.3</td>
<td>157237</td>
<td>49.0</td>
</tr>
<tr>
<td></td>
<td>Other White</td>
<td>3337</td>
<td>7766</td>
<td>16.7</td>
<td>16730</td>
<td>16.7</td>
</tr>
<tr>
<td></td>
<td>Low cost items</td>
<td>226952</td>
<td>313892</td>
<td>58.7</td>
<td>521999</td>
<td>58.5</td>
</tr>
</tbody>
</table>

Source: The Great Indian Market, National Council of Applied Economic Research

The above table shows that the rural share in stock of consumer goods like car/jeeps, motorcycle, scooters, moped, automotive, television, fans, other white goods and low cost items. The rural share in automotive has increased from 30.5% in 1995-96 to 35.9% in 2001-02 and 42.5% in 2009-10, cars/ jeeps from 7.4% in 1995-96 to 9.3 in 2009-10,motorcycle from 45.8% (1995-96) to 50.4 (2001-02) and 55.4 (2009-10), scooters from 25.2% (1995-96) to 29.8% (2001-02) and 32.0 (2009-10), moped from 37.3% (1995-96) to 46.6 (2009-10). Similarly, in television it has registered an increase from 40.7% (1995-96) to 44.9% (2009-10). Thus it is clear from the table that the percentage of rural share in the stock of consumer goods has been raising since 1995-96 to 2009-10.
Table: 3 Rural share in stock of consumer demands

<table>
<thead>
<tr>
<th>Demand</th>
<th>1995-96 (in '000)</th>
<th>Share in percent</th>
<th>2001-02 (in '000)</th>
<th>Share in percent</th>
<th>2009-10 (in '000)</th>
<th>Share in percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars/Jeeps</td>
<td>6</td>
<td>2.1</td>
<td>63</td>
<td>8.0</td>
<td>376</td>
<td>10.9</td>
</tr>
<tr>
<td>Motorcycle</td>
<td>359</td>
<td>47.3</td>
<td>1036</td>
<td>39.8</td>
<td>4045</td>
<td>48.3</td>
</tr>
<tr>
<td>Scooters</td>
<td>368</td>
<td>33.1</td>
<td>355</td>
<td>39.4</td>
<td>311</td>
<td>39.9</td>
</tr>
<tr>
<td>Mopeds</td>
<td>286</td>
<td>52.7</td>
<td>235</td>
<td>58.2</td>
<td>141</td>
<td>57.7</td>
</tr>
<tr>
<td>Automotive</td>
<td>1016</td>
<td>37.9</td>
<td>1689</td>
<td>36.0</td>
<td>4873</td>
<td>37.9</td>
</tr>
<tr>
<td>Television</td>
<td>4852</td>
<td>54.0</td>
<td>6400</td>
<td>54.5</td>
<td>7712</td>
<td>44.2</td>
</tr>
<tr>
<td>All Fans</td>
<td>7050</td>
<td>50.0</td>
<td>14627</td>
<td>56.9</td>
<td>32561</td>
<td>56.7</td>
</tr>
<tr>
<td>Other White goods</td>
<td>819</td>
<td>23.8</td>
<td>1439</td>
<td>23.9</td>
<td>3120</td>
<td>23.7</td>
</tr>
<tr>
<td>Low cost items</td>
<td>29228</td>
<td>58.1</td>
<td>45139</td>
<td>60.1</td>
<td>88607</td>
<td>61.3</td>
</tr>
</tbody>
</table>

Source: The Great India Market, National Council of Applied Economics Research

The above table shows that the rural demand for two wheelers have increased from 1626 thousand in 2001-02 to 4497 thousand in 2009-10 which account 176% change in rural demand for two wheelers while the urban demand has increased by 114.8%. In case of television 6400 thousand TV sets were demanded in rural area in 2001-02, while in urban area only 5334 thousand TV sets were demanded. In 2009-10, 7712 thousand TV sets are demanded in rural areas while in urban areas 9746 thousand TV sets are demanded. Rural demand for TV has increased by 20.5% where as urban demand has increased by 82.7% from 2001-02 to 2009-10. Similarly, in respect of low cost goods rural demand increased by 96.2% while urban demand registered a growth of 86.5%.

Table: 5 Difference in the rural urban demand (consumable)

<table>
<thead>
<tr>
<th>Items</th>
<th>2001-02 (figures in&quot;000)</th>
<th>2009-10 (figures in&quot;000)</th>
<th>Percentage Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shampoos</td>
<td>Urban: 13.6 Rural: 6.7</td>
<td>Urban: 31.4 Rural: 16.3</td>
<td>130.8</td>
</tr>
<tr>
<td>Edible Oil</td>
<td>Urban: 2328.0 Rural: 4681.6</td>
<td>Urban: 3986.5 Rural: 666.2</td>
<td>71.24</td>
</tr>
<tr>
<td>Health Beverages</td>
<td>Urban: 96.5 Rural: 37.0</td>
<td>Urban: 223.4 Rural: 88.9</td>
<td>131.5</td>
</tr>
<tr>
<td>Packaged Biscuits</td>
<td>Urban: 550.4 Rural: 294.4</td>
<td>Urban: 1091.0 Rural: 521.6</td>
<td>98.2</td>
</tr>
<tr>
<td>Washing Cakes</td>
<td>Urban: 510.7 Rural: 1351.7</td>
<td>Urban: 616.5 Rural: 2104.5</td>
<td>20.7</td>
</tr>
<tr>
<td>Toilet Soap</td>
<td>Urban: 335.9 Rural: 469.4</td>
<td>Urban: 464.2 Rural: 657.7</td>
<td>38.1</td>
</tr>
<tr>
<td>Washing Powder</td>
<td>Urban: 847.1 Rural: 1005.2</td>
<td>Urban: 1485.4 Rural: 1847.8</td>
<td>75.3</td>
</tr>
</tbody>
</table>

Source: The Great Indian Market, National Council of Applied Economic Research

From the table we can see that percentage increase in demand shampoos, health beverages, toilet shop, washing cakes and washing powder is more in rural areas as compare to urban area. While in edible oil and packed biscuits increase in demand is more in urban area as compare to rural area. Thus we can say that the consumption of many items areas is increasing at a high speed and higher than the growing demand in urban area.
5. IDENTIFYING SIGNIFICANT FACTOR FOR RURAL MARKETING

Factor Indicating Awareness
- Education of female in household
- Access of media: TV without cable, TV with Cable, Radio, News papers and Periodicals
- Awareness about standard of lifestyle
- Accepting world of Micro Market

Factor Indicate Standard Of Living
- Household occupation (Agri /Non Agri)
- Occupation of Chief wage earner (CWE)
- Ownership of select durables
- Types of structure house ( hut to house)
- Fuel used in cooking
- Use Different transportation rather than bullock cart

Product Buying Factor
- Products more often and really necessity of villagers
- Buys small packs, low unit price more important than economy
- Common regular usage things like shampoos, detergent, talcum powder and beauty cream etc
- Fewer brand choices in rural areas like HUL and Amul
- Started to buy value of money rather than cheap products.

Other Factor
- Religion
- Presence of city in district
- Share of rural population in district (Metropolitan Impact)

6. CHALLENGES

There are many opportunities to penetrate in rural market even though there are many challenges to reach to many villages. The main challenges of rural marketing are discussed below:

Transportation Problems: - transportation is essential for movement of products from urban production centers to remote villages where we can not produce many things.

Warehousing Problems: - A storage function is necessary because there are always time gap between production and consumption. Due to less population in villages all the products are not consume as fast as produce.

Inadequate Media Coverage: - Media have lots of problem in rural area. Only TV is best source to communicate with villagers but we can not advertise some of Micro-Market products otherwise the value of these products are increased.

Many Languages: - there are many villages still people in there are illiterate. If we want to talk with them then we must know local languages which are used in villages. This problem is sometime, we can not short out. India is country of many languages with different people, so it is necessary for companies to understand the mentality of rural area.

Seasonal Demand: - Agriculture situation plays a significant role in demand of commodities in rural market because agriculture depends on weather.
CONCLUSION

From the review of paper, the rural India offers huge opportunities with less competition as compare to urban area. However, Companies face many challenges to do work in rural India. There are vast untapped opportunities available in rural area but there are many FMCG companies unable to reach. Today there are fast development in infrastructure is going on in rural area and also many education sector and university established there which attract companies to target rural market. The rural market is greater future prospects for marketers and there are many opportunities in rural markets.

REFERENCES

[1] Census of India 2011
[14] www.managementcanvas.iimindore.in