

RURAL MARKETING STRATEGIES FOR SELLING PRODUCTS & SERVICES: ISSUES & CHALLENGES

Vikas Singh¹, Dr. N P Sharma²

¹Research Scholar, Dept of Management, Sai Nath University, Ranchi

²Director, Nimbus Academy of Management, Dehradun

ABSTRACT

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. Rural Marketing is a developing concept, and as a part of any economy has untapped potential; marketers have realized the opportunity recently. Improvement in infrastructure and reach promise a bright future for those intending to go rural. Any macro-level strategy for these markets should focus on availability, accessibility and affordability. Focused attention needs to be paid to market research that goes on to reduce the uncertainty in dealing with these markets. More specifically, in relation to rural areas, demand is seen to a very highly price elastic. There is no doubt that divides do exist between urban India and rural India. This paper discuss the rural marketing and its strategies and also focus on issues and challenges for selling products & services.

Keywords: Rural Market, Marketing, Strategy, Services

INTRODUCTION

The Concept of “Rural Marketing” means different things to different persons. This confusion leads to distorted understanding of the problems of rural marketing poor diagnosis and, more often than not, poor prescriptions. Rural marketing and urban marketing are identical as regards basic marketing structure. However, rural markets and rural marketing have special features and dilemmas as compared to urban markets. The 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.

The Indian rural market with its vast size and demand base offers great opportunities to marketers. Two – thirds of countries consumers live in rural areas and almost half of the national income is generated here. It is only natural that rural markets form an important part of the total market of India. Our nation is classified in around 450 districts, and approximately 630000 villages, which can be sorted in different parameters such as literacy levels, accessibility, income levels, penetration, distances from nearest towns etc. The rural markets dominate Indian marketing scene and need special attention for the expansion of marketing activities and also for providing better life and welfare to the rural people.

Given the development, which has taken place in the rural areas under the five-year plans and other special programmes, today the rural market offers a vast untapped potential. Development programs in the field of agriculture and allied activities, health education, communication, rural electrification, etc have improved the lifestyles of poor and the illiterate and some market agencies forecast the rural demand will supersede the urban demand in the near future. Once the urban markets get saturated for several categories of consumer goods and with rising rural incomes, marketing executives are fanning out and discovering the strengths of the large rural markets as they try to enlarge their markets. Today, the idea has grown out of its early stages and dominates discussions in any corporate boardroom strategy session. Adi Godrej, chairman of the Godrej group that is in a range of businesses from real estate and personal care to agrifoods, has no hesitation proclaiming, It is a myth that rural consumers are not brand and quality conscious. A survey by the National Council for Applied Economic Research (NCAER), India's premier economic research entity, recently confirmed that rise in rural incomes is keeping pace with urban incomes. From 55 to 58 per cent of the average urban income in 1994-95, the average rural income has gone up to 63 to 64 per cent by 2001-02 and touched almost 66 per cent in 2004-05. The rural middle class is growing at 12 per cent against the 13 per cent growth of its urban counterpart. Even better, the upper income class those with household incomes of over Rs one million [\$22,700] per annum is projected to go up to 21 million by 2009-10 from four million in 2001-02. It will have a 22 to 23 per cent rural component. Higher rural incomes have meant larger markets.

Rural India also accounts for sales of \$1.7 billion for cars, scooters and bikes and over one billion dollars of durables. In total, that represents a market worth a whopping \$27 billion. It is no wonder that even MNCs have cottoned on to the idea of a resurgent rural India waiting to happen. Four years ago, Coke ventured into the hinterland. Now Coke's rural growth of 37 per cent far outstrips its urban growth of 24 per cent. Coke is not the first MNC to have cottoned on to the rural lure. Its global rival PepsiCo took a wider approach to the business when it was given permission to set up shop in India in the late 1980s and investment in food processing and farming was a pre-condition for entry.

Project Shakti uses self-help groups across the country to push Lever products deeper into the hinterland. Its four-pronged programme creates income-generating capabilities for underprivileged rural women; improves rural quality of life by spreading awareness of best practices in health and hygiene; empowers the rural community by creating access to relevant information through community portals and it also works with NGOs to spread literacy. There are currently over 15,000 Shakti entrepreneurs, most of them women, in 61,400 villages across 12 states. With such an emphasis on rural marketing, consumption patterns are changing and it signals a change in the regulatory environment.

All this potential has got India's big business houses rushing to enter and expand rural businesses.

Mahindra & Mahindra Ltd is India's largest farm equipment company. Its subsidiary, Mahindra Shubhlabh Services, has operations in 11 states, and leverages the strong Mahindra brand, the 700,000-strong Mahindra tractor customer base and the 400-plus dealer network, to provide a complete range of products and services to improve farm productivity and establish market linkages to the commodity market chain. Its retailing arm, Mahindra Krishi Vihar, has been instrumental in increasing the groundnut yield in Rajasthan through a new seed sourced from the state of Maharashtra, and it has also introduced a new variety of grapes in Maharashtra. Rural India accounts for a market worth \$27 billion. No doubt even MNCs have marked on to the idea of a resurgent rural India.

Broadly rural marketing incorporates the marketing of agricultural products, rural industries products and services of many kinds. The trade channels for different types of commodities available in rural areas private, cooperatives, processors, regulated markets and state agencies. In no sense, a social cluster or village economy as at whole can be developed without effective and efficient rural marketing. Very little attention has been paid in the planning era towards the development of rural marketing. In fact marketing is a dynamic state of affairs and is part and parcel of the whole economy. Thus production and marketing are the two facets of a coin. Rural marketing constitutes the nerve centre of rural development activities. Rural marketing is a two way marketing process. The content now encompasses not only marketing of products which flow to rural areas, but also products which flow to urban areas from rural areas. So a broad definition of rural marketing is concerned with the flow of goods and services from urban to rural and vice-versa. In addition, it also includes the marketing in the rural areas.

As the rural marketing is a two-way process, this article attempts to highlight Issues and challenges associated with the rural marketing strategies. It covers the marketing strategies aspects of rural produce with special reference to products and services within the rural areas.

RURAL MARKETING STRATEGIES

The rural market has changed drastically in the past one decade. A decade ago, the rural market was more unstructured and was not a prioritized target location for corporate. Very few companies, mainly the agro-based ones, were concentrating in these markets. There are no innovative strategies and promotional campaigns. A distribution system did exist, but was feeble. Illiteracy and lack of technology were the other factors leading to the poor reach of products and lower level of awareness amongst villagers. Gradually, corporate realized that there was saturation, stiff competition and clutter in the urban market, and a demand was building up in rural areas. Seeing the vast potential of 75 per cent Indians living in rural areas, they started focusing on these unexplored, high-potential areas. Companies came up with special rural products, like Chic Shampoo sachets @ Re 1, Parle G Tikki Packs @ Rs 2, customized TVs by LG, Shanti Amla oil by Marico. All these brought positive results for them. Also, campaigns like Project Bharat by Hind Lever, where trials were generated across India in 1999, saw 30 per cent of its total personal products growing to contribute 50 per cent

five years down the line. In the first phase, they covered 11.5 million rural households and increased awareness by 41 per cent.

Project Jagruti in the second phase by Colgate Palmolive India was a village consumer contact programme in 2001. It increased penetration of Colgate Dental Cream by doubling the villages from 33,000 to 55,000, reaching to a million houses. Such projects lead to increased penetration of products in rural areas.

As a result, retail outlets have sprung up in practically all the villages that store products of various brands and categories. Also, high congregation areas, like fairs, haats, markets etc. are proving to be an important marketing tool since clusters of target audience can be tapped at the same time and place. Location plays a big role in marketing. Therefore, if a product is for kids, anganwadi is and schools are a good place taps them and their mothers. Similarly, mandis and village influencers act as a catalyst in pushing a brand/product.

Here are some of the strategies may adopt by Companies for Rural Markets for their products and Services:

Best Promotion and Quality Perception

Companies with new technology are properly capable to communicating its products and services to their customer. There is a trade-off between Quality a customer perceives and a company wants to communicate. Thus, this positioning of technology is very crucial. The perception of the Indian about the desired product is changing. Now they know the difference between the products and the utilities derived out of it. As a rural Indian customer always wanted value for money with the changed perception, one can notice difference in current market scenario especially in case of services given by the companies.

Easy-Way Communication especially for Rural Market

The companies have realized the importance of proper communication in local language for promoting their products especially in rural market. They have started selling the concept of quality with proper communication and easily understandable way of communications. Their main focus is to change the Indian customer outlook about quality.

CHANGING PATTERN OF RURAL CUSTOMERS

Nowsday villagers are constantly looking forward for new branded products and good services. Indian customer in rural market was never price sensitive, but they want value for money. They are ready to pay premium for the product if the product is offering some extra utility for the premium. Regards for Cultural and Social Values Companies have recognized that social and cultural values have a very strong hold on the people in rural markets. Cultural values play major role in deciding what to buy. Furthermore rural people are emotional and sensitive. Thus, to promote products and services we should regard their social and cultural values.

FOCUS ON CUSTOMER REQUIREMENT

Every customers want value for their money. They do not see any value additional associated with the products. They aim for the basic functionality. However, if the sellers provide frills free of cost they are happy with that. They are happy with such a high technology that can fulfill their need. For example Nokia and Reliance has launched a simple product, which has captured the market.

Promoting Products and Services with Right Person in Case of Celebrity Endorsement Companies are picking up Indian models, actors for advertisements as this helps them to show themselves as an Indian company. Diana Hyden and Shahrukh Khan are chosen as a brand ambassador for MNC quartz clock maker "OMEGA" even though when they have models like Cindy Crawford. Another example Penelope Cruz endorses for Pantene Shampoo but it's more effective with Indian Models and Actors because peoples know them very well.

Patriotism with Products and Services Companies are associating themselves with India by talking about India, by overtly saying that they are Indian and they are more patriotic. Using Indian Tricolor while doing advertisement during Independence Day and Republic Day like Nokia has designed a new cellular phone 5110, with the India tricolor and a ringing tone of "Sare Jahan se achcha".

PROMOTING INDIAN SPORTS TEAM

Companies are promoting Indian sports teams so that they can associate themselves with India. With this, they can influence Indian mindset like during Cricket World Cup. For example Hero Honda has launched a campaign "Dhak Dhak Go" Similarly, Other companies has also launched a campaign during world cup.

Product/Services Campaign like "Be Indian" Companies are now talking about Be Indian. It is a normal tendency of an Indian to try to associate him/her with the product. If he/ she can visualize himself/ herself with the product, he /she become loyal to it.

Developing Specific Products for Specific Segment

Many companies are developing rural-specific products. Keeping into consideration the requirements, a firm develops these products. Electrolux is working on a made-for India fridge designed to serve basic purposes: chill drinking water, keep cooked food fresh, and to withstand long power cuts. In Service Sector like Insurance they are focusing on Micro insurance products for rural segments.

Effective Media Modes of communication

Traditional media or the modern media used for rural marketing is being used by companies. The traditional media include meals, puppetry, folk theatre etc. While the modern media includes TV, radio, e- chaupal. LIC uses puppets to educate rural masses about its insurance

policies. Govt of India uses puppetry in its campaigns to press ahead social issues. ITC's e-chaupal (chaupal is the common place where villagers gather) has been the most elaborate and extensive venture in this field so far. Conceived by ITC's international business division and launched in 2000, the e-chaupal project has since grown to around 2,700 chaupals covering a population of around 1.2 million in five states - Madhya Pradesh, Karnataka, Andhra Pradesh, Uttar Pradesh and Maharashtra.

Adopting Best localized way of Distributing Channels

Proper distribution channels are recognized by companies. The distribution channel could be big scale Super markets; they thought that a similar system can be grown in India. However, they were wrong; soon they realized that to succeed in India they have to reach the nook and the corner of the country. They have to reach the "local Paanwala, Local Baniya or Kirana Shop Owners" only they can succeed. Big Multinational companies in India capture the rural market share in India if they have to go the local market shoe sellers and with the low priced products.

Issues & Challenges in Rural Marketing

India is ingenious with a good degree of ethnic, cultural and regional diversity. About 3/4th of the total population resides in the rural areas and majority of them are dependent upon agriculture for their subsistence. Agriculture contributes about 24.7% to the Gross Domestic Product (GDP) of the country. It also contributes about 13.1% to the total Indian exports. This sector provides employment to 58.4% of the country's workforce and livelihood to more than 650 million people. Despite this fact, the condition of these people has not shown any significant improvement. The development of the nation largely depends upon the development of the rural population.

Rural market witnesses a high demand & it's the rural segment of market that contributes more profit than its urban counterpart. Rural marketing broadly involves reaching customers, understanding their wants, supply of goods and services and ultimately satisfying consumers, leading to more sales. The general impression is that only agricultural inputs like seeds, fertilizers, pesticides, cattle feed and agricultural machinery has a potential for growth in the rural market. However, there is a growing market for consumer goods now. It has been estimated the rural market is growing at the rate of five times its urban counterpart.

CHALLENGES IN RURAL MARKETING

Despite the fact that rural markets are a huge attraction to marketers, it is not easy to enter the market and take a sizeable share of the market, in the short time due to the following reasons.

Low Literacy

There are not enough opportunities for education in rural areas. The literacy level is as low (36%) when compared to all- India average of 52%.

Seasonal Demand

Demand for goods in rural markets depends upon agricultural situation as agriculture is the main source of income. Agriculture to a large extent depends upon monsoon and, therefore, the demand or buying capacity is not stable or regular.

Transportation

Many rural areas are not connected by rail transport. Kacha roads become unserviceable during the monsoon and interior villages get isolated.

Distribution

An effective distribution system requires village-level shopkeeper, Mandal/ Taluka- level wholesaler or preferred dealer, distributor or stockiest at district level and company-owned depot or consignment distribution at state level. The presence of too many tiers in the distribution system increases the cost of distribution.

Communication Problems

Facilities such as telephone, fax and telegram are rather poor in rural areas.

Traditional Life

Life in rural areas is still governed by customs and traditions and people do not easily adapt new practices. For example, even rich and educated class of farmers does not wear jeans or branded shoes.

Buying Decisions

Rural consumers are cautious in buying and decisions are slow and delayed. They like to give a trial and only after being personally satisfied, do they buy the product.

Media for Promotions

Television has made a great impact and large audience has been exposed to this medium. Radio reaches large population in rural areas at a relatively low cost. However, reach of formal media is low in rural households; therefore, the market has to undertake specific sales promotion activities in rural areas like participating in meals or fairs.

Career in Rural Market

While rural marketing offers a challenging career, a rural sales person should require certain qualifications and specialized talent.

Cultural Factors

Culture is a system of shared values, beliefs and perceptions that influence the behavior of consumers. There are different groups based on religion, caste, occupation, income, age, education and politics and each group exerts influence on the behavior of people in villages. There is a belief among rural people that experience is more important than formal education and they respect salespersons who can offer practical solutions to their problems. Therefore, it is desirable that sales persons, especially those who have been brought up in cities are given a

thorough training consisting of both theory and practical aspects of village life. The training will help these sales persons to align themselves with the market realities and settle down smoothly in their jobs.

But there are more issues also on other sides of challenges which are like the rural population is spread over a large area where reach is expensive and the mass is heterogeneous. The spending power of rural population fluctuates with the agri-yield. Hence, demand is not consistent. Besides this, low level of product exposure, poor standard of living, spurious products with high margins for retailers and lack of infrastructure leads to low penetration.

FUTURE TRENDS

Markets which are not able to face the stiff competition posed by MNCs can restore their profits in the rural sector. The market share of urban market when compared to the rural market is low; hence if Indian industries concentrate on rural markets their sales will increase. If rural markets are brought into the limelight of development, they marked towards the prosperity. Prosperity of India lies in the prosperity of every Indian; hence no rural segment should be left untapped. Rural market has a tremendous potential that is yet to be tapped. A small increase in rural income, results in an exponential increase in buying power.

CONCLUSION

Rural Marketing is a developing concept, and as a part of any economy has untapped potential; marketers have realized the opportunity recently. Improvement in infrastructure and reach promise a bright future for those intending to go rural. Any macro-level strategy for these markets should focus on availability, accessibility and affordability. Constant scanning and sieving of ideas and plans is essential at all times. Focused attention needs to be paid to market research that goes on to reduce the uncertainty in dealing with these markets. More specifically, in relation to rural areas, demand is seen to be very highly price elastic. To break the price barrier is essential. Only this can keep the grey area local brands in check. There is no doubt that divides do exist between urban India and rural India. However, with a silent revolution that has already begun, a seamless integration of rural and urban markets is underway. The overall marketing mix framework for rural markets must therefore focus around plugging the segments with the right product, using value for money pricing, selecting the most appropriate channel of distribution, building long term relationships with the customers and finally, using the power of emotional brands. The rural market is not homogeneous. The individual sections of this market are not too big, although the overall size is large. There are geographical, demographical, statistical and logistical differences. Positioning and realities regarding the potential of each of these market segments differ and lie at the very core of forming the strategy for the rural markets. Gone are the days when rural consumer went to nearby city to buy „branded products & services“. The rural consumer is growing and this is an opportunity to grab the market share for all the global players in the market – whether it is into Fast Moving

Consumer Goods (FMCG) sector or retail sector (either insurance or banking). Insurance sector has one of the biggest potential in the upcoming scenario and the fact lies in the statement that only eight to ten percent of the rural households are covered by life insurance. Several companies trying to reach out to rural consumers are exploring alternative cost effective channels. Direct selling through company delivery vans, syndicated distribution between non-competitive marketers, setting up of temporary stalls in rural melas/ haats are few successful examples. Use of stockists and their staff for effecting direct sales to rural consumers has also been found to be successful by companies like Hindustan Unilever / ITC / Colgate / Godrej. Rural markets/ mandis are emerging as the target centers for direct sales. BPCL introduced specially designed Rural Marketing Vehicle, which moved from villages to villages to fill cylinders on spot. Another innovative distribution model that merits mention is the HLL's Shakti project, which connects Self-Help Groups (SHGs) with business opportunities. Hindustan Lever promotes and uses the SHGs network present in the villages for increasing its sales in the rural areas. The SHGs are offered chance to become company's local small scale distributor in the rural areas. The groups, typically of 15 to 20 people, buy a small stock of items such as soap, detergent or shampoo and then sell directly to consumers in their homes. The model is a win-win for the company and the village SHGs. Lower prices/smaller packaging has been the most common strategies adopted by FMCG companies to penetrate rural markets.

Every marketer/companies must realize that the rural consumer is not a miser. He is not simply looking for the cheapest product in every category.

Rural customer understands and demands value for money in every purchase that he makes.

Pricing therefore is a direct function of factors including cost-benefit advantage and opportunity cost. Pricing offered to consumers should be for value offerings that are affordable. Price sensitivity is extremely high and comparison with competitive prices is common. It must be remembered that the rural consumer does not have a budget problem. He has a cash flow problem. This is because the village folk receive funds only twice a year. At these times, he is capable of making high volume purchases. At all times, however, the unit price is critical and so is the pack size. Because of this, in the lean season when there is a cash flow crunch, marketers need to provide financial products, schemes or solutions that suit the needs of the rural population.

In concluding remark, if the company wants to capture the rural market, they must first carry on the detailed and earnest analysis of the country side goal market, aiming at the particular characteristics of the rural market, and utilizing different marketing strategy according to concrete situations.

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