**UNIT 5: PROMOTION AND RECENT DEVELOPMENTS IN MARKETING**

Semester- II (UG)

Subject- Marketing Management

Topic-Rural Marketing

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Lecture no-5

**Rural Marketing:**

According to T.P Gopalaswamy – “Rural Marketing is a two-way process which encompasses the discharge of business activities that direct the flow of goods from urban to rural area (manufactured goods) and vice versa (agriculture products) as also with in the rural areas”.

According to National Commission on Agriculture are – “Rural Marketing is a process which starts with a decision to produce a saleable farm commodity and it involves all the aspects of market structure or system, both functional & institutional, based on technical and economic considerations and includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution”.

According to Velayudhan (2002), rural marketing includes all those activities of assessing, stimulating and converting the rural purchasing power into an effective demand for specific products and with the aim of raising the standard of living. It is a two way marketing process of flow of goods and services from rural to urban areas and vice-versa (George & Mueller,1955). Rural marketing is any marketing activity in which one dominant participant is from rural area (Kotler, et al., 2009)

Rural markets today offer growth opportunities to firms caught in intensive inter- firm rivalry in urban and metro markets.

**Rural Market becomes attractive to corporate:**

* The Growing Opportunity, One Main Driver
* Heat of Competition in the Urban Market, A Stronger Driver
* Many Companies have Already Taken to the Rural Market in a Big Way
* Vibrating economic growth leads to positive change in the taste , preference of the consumers
* Today Rural India offers a series of opportunities with the substantial upgradation in purchasing power;
* Increased brand consciousness pattern and rapid spread of communication network all waiting to be harnessed.

### Features of Rural Marketing:

1. Large and scattered population
2. Culturally a Diverse and Heterogeneous Market
3. State to State Variation in Extent of Development
4. Literacy Level
5. Lifestyle
6. Buying Behaviour( Influence of culture, Geographic Location, Exposure to urban lifestyles, Places of purchase, Involvement of others in purchase , Marketers effort to reach out the rural market)
7. Major income of Rural Consumers is from Agriculture
8. Low standard of living
9. Traditional Outlook

**Nature of rural market**

The nature of rural market is as follows:

* Large, diverse and scattered market: Rural marketing in India is large, and scattered into a number of regions. There may be less number of shops available to market products.
* Major income of rural consumers is from agriculture: Rural prosperity is tied with agriculture prosperity. In the event of crop failure, the income of masses is directly affected.
* Traditional outlook: Villages develop slowly and have a traditional outlook. Change is a continuous process, but rural people accept change gradually. This is slowly changing due to literacy especially in the youth who have begun to change the outlook in the villages.
* Standard of living and rising disposable income of the rural customers: It is known that majority of the rural population lives below poverty line and has low literacy rate, low savings, etc. Today the rural customer spends money to get value and is aware of the happening around him.
* Rising literary levels: It is documented that approximately 45% of rural Indians are literate. Hence, awareness has increased and the formats are well-informed about the world around them. They are also educating themselves on the new technology for a better life style.
* Diverse socio-economic background: Due to differences in geographical areas and uneven land fertility, rural people have different socio economic background, which ultimately affects the rural markets.
* Infrastructure facilities: The infrastructure facilities like warehouses, communications systems and financial facilities (or) inadequate in rural areas physical distribution are a challenge to marketers who has found innovative ways to market their products.

**Importance of Rural Markets:**

**Rural Markets** are tomorrow's markets in India. On account of the green revolution in India, the rural areas are consuming a large quantity of industrial and consumer products produced near the urban. Rural market is growing faster than urban, rural marketing results into overall balanced economic and social development. Rural marketing turns beneficial to business s, people residing in rural areas, people residing in urban areas and to the entire nation. Growth and development of rural marketing contribute to overall prosperity and welfare in the following ways.

**1. Reduced Burden on Urban Population**

Rural marketing can contribute to rural infrastructure and prosperity. People can also live comfortably in villages due to availability of all goods and services in villages, even comparatively at low price. People, due to growth of marketing activities, can earn their livelihood in rural places. Population pressure on urban can be reduced.

**2. Rapid Economic Growth**

Naturally, marketing acts as catalyst agent for economic growth. There exists more attractive business opportunities in rural than urban. Rural market is more potential for consumer durables and services. Rural population largely depends on agriculture and it can contribute nearly 50% to total national income. Agriculture enjoys significant portion in export business, too. Rural marketing improves agricultural sector and improved agricultural sector can boost whole economy of the country.

**3. Employment Generation**

At present, nearly 70% of total Indian population feeds on agricultural activities in rural areas. Rural marketing can generate more attractive employment opportunities to rural and urban people. Growth of rural marketing leads to increased business operations, professional activities, and services that can generate a lot of employment opportunities.

**4. Improved Living Standard**

Due to rural marketing system, rural buyers can easily access needed standard goods and services at fair prices. In the same way, rural marketing improves rural infrastructure. Additionally, rural marketing can also improve their income. These all aspects can directly improve living standard.

**5. Development of Agro-based Industries**

Rural marketing leads to set up agro-based processing industries. Fruits, vegetables, cereals, pulses, etc., are used as raw materials. Such industries can improve farmers’ profit margin and employment opportunities.

**6. Optimum Utilization of Rural Untapped Resources**

There are unlimited businesses opportunities exist in rural areas. Untapped and underutilized resources can be utilized at optimum level and that can further accelerate overall economic growth.

**7. Easy Marketability of Agricultural Produces**

Growth of rural marketing improves whole marketing system. Multiple options are available to farmers and local producers to market their products. Big domestic corporate houses and multinational companies prefer to buy agricultural products directly from villages by their own or through agents and small firms. Rural producers can sell their produces easily at satisfactory prices. Their improved income level can improve their purchasing power that can further fuel to industrial demand.

**8. Improved Rural Infrastructures**

Rural marketing and basic infrastructures go hand to hand. Growth of rural marketing leads to improved transportation, insurance, banking, communication, entertainment, and other facilities. Due to availability of basic infrastructural facilities, business s can easily reach the target rural buyers.

**9. Price Stability**

Marketing results into better transportation, warehouses, and communication facilities. Agricultural products can be systematically marketed throughout the year. Huge gap between demand and supply can be avoided and, as a result, prices of most of commodities remain more or less stable.

**10. Quality of Life**

Marketing can refine entire living style and system. Better quality products at reasonable price, improved income level, availability of facilities, etc., have direct positive impacts on quality of life.

**11. Balanced Industrial Growth**

The gap between rural and urban development can be reduced gradually. Rural development improves rural life and reduces pressure on urban life.

**12. Others**

Apart from these points, there are a number of ways that rural marketing can significantly contribute to economic and social development.

**Scope of Marketing**

* The scope of marketing is as follows:
* Large population: According to 2011 census, rural population is 72% of total population and it is scattered over a wide range of geographic area.
* Rising rural prosperity: Average income level has improved due to modern farming practices, contract farming industrialisation, migration to urban areas, etc.
* Growth in consumption: There is a growth in purchasing power of rural consumers. The average per capita household expenditure is Rs. 382.
* Change in lifestyle: Lifestyle of rural consumer has changed considerably.
* Market growth rate higher than urban: The growth rate of fast moving consumer goods [FMCG] market and durable market is high in rural areas. The rural market share is more than 50% for products like cooking oil, hair oil, etc.
* Lifecycle advantage: The products which have attained the maturity stage in urban market are still in growth stage in rural market.
* Rural marketing is not expensive: To promote consumer durables inside a state costs Rs. 1 crore while in urban areas it will cost in millions.

**Problems in Rural Marketing**

There are many problems to be tackled in rural marketing despite rapid strides in the development of the rural sector. Some of the common problems are discussed in the paragraphs given below.

* **Transportation**

This is an important aspect in the process of movement of products from urban production centres to remote villages. The transportation infrastructure is very poor in rural India. Due to this reason, most of the villages are not accessible to the marketing man. In our country, there are six lakhs villages. Nearly 50 per cent of them are not connected by road at all. Many parts in rural India have only kachcha roads. During the monsoons, even these roads become unserviceable. Regarding rail transport, though India has the second largest railway system in the world, many parts of rural India however, remain outside the rail network.

* **Communication**

Marketing communication in rural markets suffers from a variety of constraints. The literacy rate among the rural consumers is very low. Print media, therefore, have limited scope in the rural area. Apart from low levels of literacy, the tradition-bound nature of rural people, their cultural barriers and their overall economic backwardness add to the difficulties of the communication. Post, telegraph, telephones are the key components of the communication infrastructure. These facilities are extremely inadequate in the rural parts of our country. In rural areas, the literacy percentage is still low, compared to urban areas. In India, there are 18 recognised languages. All these languages and many dialects are spoken in rural areas. English and Hindi are not understood by many people. Due to these problems, rural consumers, unlike urban consumers do not have exposure to new products.

* **Availability of appropriate media**

It has been estimated that all organised media in the country put together can reach only 30 per cent of the rural population of India. The print media covers only 18 per cent of the rural population. The radio network, in theory, covers 90 per cent. However, actual listenership is much less. TV is popular and is an ideal medium for communicating with the rural masses. As it is not available in all interior parts of the country, it is estimated that TV covers 20 per cent of the rural population. However, the actual viewership is too little. The cinema, however, is a good medium for rural communication. These opportunities are very low in rural areas.

* **Warehousing**

A storage function is necessary, because production and consumption cycles rarely match. Many agricultural commodities are produced seasonally, whereas demand for them is continuous. The storage function overcomes discrepancies in desired quantities and timing. In warehousing too, there are special problems in the rural context. The central warehousing corporation and state warehousing, which constitute the top tier in public warehousing in our country, have not extended their network of warehouses to the rural parts. It is almost impossible to distribute effectively in the interior outlets in the absence of adequate storage facilities. Due to lack of adequate and scientific storage facilities in rural areas, stocks are being maintained in towns only.

* **Village structure in India**

In our country, the village structure itself causes many problems. Most of the villages are small and scattered. It is estimated that 60 per cent of the villages are in the population group of below 1,000. The scattered nature of the villages increases distribution costs and their small-size affects economic viability of establishing distribution points.

* **Rural markets and sales management**

Rural marketing involves a greater amount of personal selling efforts compared to urban marketing. The rural salesman must also be able to guide the rural customers in the choice of the products. It has been observed that rural salesmen do not properly motivate rural consumers. The rural salesman has to be a patient listener as his customers are extremely traditional. He may have to spend a lot of time on consumer visits to gain a favourable response from him. Channel management is also a difficult task in rural marketing. The distribution channels in villages are lengthy involving more intermediaries and consequently higher consumer prices. In many cases, dealers with required qualities are not available.

* **Inadequate banking and credit facilities**

In rural markets, distribution is also hampered due to lack of adequate banking and credit facilities. The rural outlets require banking support to enable remittances, to get replenishment of stocks, to facilitate credit transactions in general, and to obtain credit support from the bank. Retailers are unable to carry optimum stocks in the absence of adequate credit facilities. They are not able to offer credit to the consumers, because of this problem. All these problems lead to low marketing activities in rural areas. It is estimated that there is one bank for every 50 villages, showing the poor banking facilities in rural areas.

* **Market segmentation in rural markets**

Market segmentation is the process of dividing the total market into a number of sub-markets. The heterogeneous market is broken up into a number of relatively homogeneous units. Market segmentation is as important in rural marketing as it is in urban marketing. Most firms assume that rural markets are homogeneous. It is unwise on the part of these firms to assume that the rural market can be served with the same product, price and promotion combination.

* **Branding**

The brand is the surest means of conveying quality to rural consumers. Day-by-day, though national brands are getting popular, local brands are also playing a significant role in rural areas. This may be due to illiteracy, ignorance and low purchasing power of rural consumers. It has been observed that there is greater dissatisfaction among the rural consumers with regard to selling of low quality duplicate brands, particularly soaps, creams, clothes, etc., whose prices are often half of those of national brands, but sold at prices on par or slightly less than the prices of national brands. Local brands are becoming popular in rural markets in spite of their lower quality.

* **Packaging**

As far as packaging is concerned, as a general rule, smaller packages are more popular in the rural areas. At present, all essential products are not available in villages in smaller packaging. The lower income group consumers are not able to purchase large and medium size packaged goods. It is also found that the labelling on the package is not in the local language. This is a major constraint to rural consumers understanding the product characteristics.

**The 4 As of Marketing Mix:**

**1. Availability**

The first challenge in rural marketing is to ensure availability of the product or service. India’s 7,00,000 villages are spread over 3.2 million sq km; 700 million Indians may live in rural areas, finding them is not easy. They are highly dispersed. Given the poor infrastructure, it is a greater challenge to regularly reach products to the far flung villages. Marketer should plan accordingly and strive to reach these markets on a regular basis. Marketers must trade off the distribution cost with incremental market penetration.

1. The transportation of "Amul Butter" to the stores that sell "Amul Butter" is a big challenge. While transportation, the butter has to be stored properly, so that it does not get contaminated. Amul is made in "Kaira District" somewhere in Gujarat. From there it is distributed all over India and it is available at the local store near to us. The destitution guys have to make sure that, every little "Banya shop" on every little street of our extremely large country gets” Amul Butter”.
2. India's largest MNC, Hindustan Lever has built a strong distribution system which helps its brands reach the interiors of the rural market which has to be considered as the model by rural organization while reaching to the rural markets. Huge rural enterprises like Amul, can operate in a hub and spoke model. A hub and spoke network is a centralized, integrated logistics system designed to keep costs down. Hub and spoke distribution centers receive products from many different origins, consolidate the products, and send them directly to destinations. This will ensure full loads, the company depot supplies, twice a week, large distributors which act as hubs. These distributors appoint and supply, once a week, smaller distributors in adjoining areas who focus a radius like spoke.

**2. Affordability**

The second major challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer, most of who are on daily wages. A part of it has been mentioned in product (first P).

A solution to this has been introduction of packs by some companies. Most of the banana chips are available in smaller packs.

* Timbatku from Ananthpur – a cooperative farmer producer company is reaching to the market in the name of “Timbatku Organic” supplies Ragi millet for Rs.42 / kg. It also has smaller packs for Rs. 24 for 500 grams. Bru instant coffee was launched in smaller packs.
* Amog Foods based in Salem, operating with the neighbouring cities in Tamil Nadu offers processed foods such as pickles in 50 gram packs and 100 gram packs.

**3. Acceptability**

The next challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market. To make it acceptable, Timbatku Organic has displayed the uses of consuming an organic produce on its online store as “Organic Facts” besides getting certification.

* Organic facts displayed by Timbatku. The average non organic fruit contains more than 20 pesticides. Organic food is richer in vitamins, minerals and fibre and retains the levels of nutrients for much longer.
* Your body will be more resistant to disease
* You will have more energy through consuming lower levels of toxins and chemicals that slow your body down
* Organic food producers must meet stringent standards
* Organic farms respect our water resources and do not leach nitrogens and other pollutants from their soil
* Organic food just tastes so much better

**4. Awareness**

Building awareness is another challenge in rural marketing. A large part of rural India is inaccessible to conventional advertising media. The media penetration in rural areas is only about 57%.It has been seen that, two out of five Indians are unreached by any media TV, Press, Radio and Cinema put together. Haats, mandis and melas are opportunities. Family is the key of identity for both the urban and rural consumer. However, the rural consumer expressions differ from his urban counterpart. For a rural consumer, outing is confined to local fairs and festivals and TV viewing is confined to the state owned TV Channels. Consumption of branded products is treated as a special treat or indulgence in many households. Haats, mandis and melas are the place of opportunities to promote awareness about the product.

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