LEARNING OBJECTIVES

- To learn about the rural marketing in depth.
- To understand the concept of market, marketing and marketing management.
- To find out and learn about the several models of rural marketing.
- To study several features of rural markets and its nature.
- To analyze the myths of rural markets and the reality associated with it.
- To learn about the methods followed traditionally as well as the recent strategies adopted.
- To study the evolution of rural marketing in India.
- To understand the scope and opportunities of careers available in this stream.
Aare Mitthu, Why everybody is talking about rural marketing nowadays?

Sarpanch, rural marketing is a talk of the day in the corporate world. Here we will learn about this hot topic.

1.1 INTRODUCTION

The two different terms Rural and Marketing are combined together to form the term called ‘Rural Marketing.’

Marketing begins where human wants, needs and demands arise that is significantly met with the available products in the form of goods, services and ideas. Whenever, the need occurs the consumer gets satisfied with the products chosen by him. Here, the priority is given to the consumer’s estimated needs. In this case, the consumer exchanges and exactly gets the wanted product in return of something. An ‘exchange’ is called as ‘value creating process.’ In which both the parties are benefited with something or other.

Generally, marketing is a chain of planned activities that is involved in transferring the goods from production place to the place of consumption. It includes all the activities involved in creation of demand, time, place and form utilities. Hence, it is inevitable activity adopted by different business organizations throughout the world.

Latest rural market surveys, conducted by many marketing research firms, conclude that, “The real India lives in the villages”. They also highlight that the major portion of Indian national economy is contributed by the rural sector and their population when compared with urban contribution. Based on the report of Census of India, 2011, in India, if we speak in real terms, from the total population, around 69% are living in rural areas and the remaining population around 31% alone living in urban areas. If we go for the absolute terms, from the total Indian population of 1,210.2 million, rural areas have population of 833.1 million and urban population have 377.1 million.

Nearly two-third of the total workforce is engaged in agriculture and allied activities and it contributes about 14.5% of India’s GDP (Gross Domestic Product) from 6,40,867 villages approximately.

After realizing the importance of rural markets, many Indian as well as foreign companies like, HLL, Godrej, Himalayas, Johnson & Johnson, P&G, Colgate-Palmolive, etc. has already started to focus on rural markets to promote their rural sales and by that way expand their markets. So, the latest mantra for many marketers in all sectors is “Go Rural”. For widening their markets in rural sector, companies are following a number of marketing techniques such as, changing package style, offering free samples or introducing attractive offers or even cutting their prices to some extent.

If we take Chik Shampoo as an example, they introduced shampoo sachet mainly to attract the rural people towards the usage of shampoos which is more difficult at that time. For this, they implemented many techniques like, introducing different variants (rose, jasmine, etc.), offered in less quantity with lesser price, packed in sachets instead of traditional packages and so on. The shampoo in sachets actually created a new product segment. Chota-coke, Parle-G Tikki biscuits are some more examples which were introduced to satisfy the consumers in price wise and created a big demand in both the sectors (rural and urban) (Fig. 1.1).
Indian economy accumulates both rural and urban economy. In a broader sense, the entire country is divided into two main sectors such as, Rural Sector and the Urban Sector (Fig. 1.2). Total income generated through various activities from rural sector is termed rural economy and again the total income generated from the urban sector is called as urban economy.

Rural economy includes income generated through Agricultural activities and Non-Agricultural activities. An agricultural activity club direct agricultural and allied activities and comprises the following: Crop Cultivation, Farming, Horticulture, Floriculture and the allied activities such as Animal Husbandry (Goat, Poultry), Dairying, Fishing, Forestry, Sericulture, etc. Non-agricultural sector comprises the activities like rural business and industries, manufacturing handlooms and handicrafts, agro processing (sugarcane, oilseed etc.), mining and quarrying, construction and other services such as transportation, storage, communication, retailing and so on.

**Table 1.1 Share of Wallet - Rural (%)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Share in rural income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010 in %</td>
</tr>
<tr>
<td>Education &amp; Entertainment</td>
<td>4</td>
</tr>
<tr>
<td>Health</td>
<td>5</td>
</tr>
<tr>
<td>Clothing</td>
<td>5</td>
</tr>
<tr>
<td>Others</td>
<td>6</td>
</tr>
<tr>
<td>Transportation &amp; Communication</td>
<td>10</td>
</tr>
<tr>
<td>Housing &amp; Consumer Durables</td>
<td>14</td>
</tr>
<tr>
<td>Food</td>
<td>56</td>
</tr>
</tbody>
</table>

*Source: Tiger Roars – BCG 2012*
### 1.3 MEANING OF MARKET

The term market has been derived from the Latin word ‘Mercatus’ which means goods or trade or a place where business takes place. A market deals with the function of satisfying the human needs or wants that keeps on changing with time, place and society.

Market refers to an arrangement, whereby buyers and sellers come in contact with each other directly or indirectly, to buy or sell goods.

An open place or large building where real buying and selling activities take place is called market. It can be defined as a place where any sort of trade or business or any exchange of goods or services takes place. Buyers and sellers are the two major participants on which the entire marketing activities are depending. It is typically known that buyers and sellers are engaged in exchange of goods, services or information.
Traditionally, markets stood for physical meeting places where buyers and sellers gather together to trade. Although physical markets are still very important, virtual marketplaces have also become the most flexible and largest which are supported by IT networks such as the internet.

Based on the demand of the product market may expand to a locality, village, town, region or even a country. Market can be both place and region in which buyers and sellers are in free contact with each other.

**Market’s Components**

The following components are very essential, for any type of market to be present at any region to satisfy the consumer’s demand.

- There should be commodities or products available for transaction.
- In the market both the parties, i.e., one buyer or buyers and a seller or sellers play a vital role.
- Market area is scattered and there is no compulsion to maintain uniformity in price and competition.
- Both the parties must have a business relation and a direct contact with each other.

### 1.4 NEED FOR RURAL MARKETS

Around two-third of Indian consumers live in rural areas generating half of the national income. This reflects that Indian rural market has a huge scope of demand base and offers great opportunities to marketers. That is why it is obvious and fair to enter and involve in rural areas. The consumer durable market in urban areas for products like colour TVs, washing machines, refrigerators and air conditioners is growing annually from 7% to 10%.

The growth rate of rural market is at high pace which is around 25% annually, ₹989 crore (₹billion). According to Venugopal Dhoot, Chairman of the Videocon Appliances “The rural market is growing faster than urban in India now.” Followed by, Ravinder Zutshi, Samsung’s director, marketing, says that “The urban market is a replacement and upgradation market today.”

**Reasons for Improvement of Business in Rural Area**

It is transparent that from past few years, the rural market sector has projected tremendous growth when compared with urban markets. There are some basic reasons behind such improvement that are given below:

1. **Socio-economic changes (lifestyle, habits and tastes, economic status):** The change in lifestyle and economic status is one of the most important factors that have driven the rural sector towards the improvement. The source of information and awareness of the rural people have changed their habits, tastes and preferences. All these factors have together contributed towards the improvement in the rural sector.

2. **Literacy level (25% before independence – more than 69% in 2011):** Another major factor for the improvement of rural sector is the increase in literacy level of the rural people. Before independence, the literacy rate was around 25% but from past decade it has been traced that there is a huge improvement in the sources of information and education up to 69%.
3. **Increase in expectations:** With the media reach and high income level the awareness and preference of the rural people has been developed when compared to their urban counterparts. Their demand towards quality products with better pricing has increased. Instead of being price conscious the rural people are also expecting good quality products and are aware of branded products.

4. **Increase in income:** The growth in rural markets has reduced the complexity of its functions. With the increase in income level of rural people their purchasing power and economic status of living have also developed. This in turn leads to the further development of rural marketing activities in the Indian economy.

5. **Infrastructure facilities (roads, electricity, media):** Infrastructure and communication plays a vital role in bringing the improvement of rural sector. Well-developed roads, hi-tech media and electricity leads to the improvement of the entire marketing activities. In the current scenario, the rural market has also been facilitated with such infrastructural facilities.

### 1.5 INDIAN RURAL MARKETS

Nearly three-fourth of consumers are living in rural areas of India and one half of the national income is generated in rural markets.

<table>
<thead>
<tr>
<th>Population</th>
<th>Total</th>
<th>%</th>
<th>Total</th>
<th>%</th>
<th>Total</th>
<th>%</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Population</td>
<td>50.20 cr</td>
<td>76.3</td>
<td>64.1 cr</td>
<td>76</td>
<td>74.2 cr</td>
<td>76</td>
<td>83.3 cr</td>
<td>69</td>
</tr>
<tr>
<td>Urban Population</td>
<td>15.62 cr</td>
<td>23.7</td>
<td>20.3 cr</td>
<td>24</td>
<td>28.5 cr</td>
<td>24</td>
<td>37.7 cr</td>
<td>31</td>
</tr>
<tr>
<td>Total Population</td>
<td>65.82 cr</td>
<td>100</td>
<td>84.4 cr</td>
<td>100</td>
<td>102.7 cr</td>
<td>100</td>
<td>121.0 cr</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source*: Census of India, 2011

The above given Table projects that there has been a marginal reduction from past few decades in the rural population expressed as percentage of the total population; In absolute numeric terms, there has been a constant growth in rural population and in terms of households, rural market comprises of more than 12 crore households, ranging over 70% of households in the country.

### 1.6 MEANING OF MARKETING AND MARKETING MANAGEMENT

As we have studied earlier that the consumer wants are changing day by day with time, place and society. There are several other factors like education, income, lifestyle, social values, etc. that influence the consumer wants. The process involved satisfying such demands by the means of exchanging goods or services or information is called marketing. It also means working with markets to actualize potential exchanges of goods and services for the purpose of satisfying human wants.

Marketing includes those business activities that direct the flow of goods and services from producer to consumer.
Marketing is also defined as “the set of human activities directed at facilitating and consummating exchanges.”

Marketing includes all those activities involved in providing customer satisfaction, and making a profit for the manufacturer who makes use of available resources up to the optimum level. Marketing starts with the customer dealing with what he wants to have; and ends with the customer by giving him what he wants.

**Definition of Marketing**

The American Marketing Association defines marketing as “those activities which direct the flow of goods and services from production to consumption.”

Kotler defines marketing as, “a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others.”

**Marketing Management**

The activities engaged in influencing the level, timing, and composition of demand in a manner that will enable an organization to achieve its goal is called marketing management. Demand management is basically termed as marketing management.

**Meaning of Rural**

The word rural describes the standard of living or characteristics of farming or prevailing country life which is related to the country side as contrary to the city life.

As per the Census of India, 2011, rural is that which does not come under the definition of urban and, urban means:

1. All places with a municipality, corporation, cantonment board or notified town area commit-tee, etc.
2. All other places which satisfies the following criteria:
   (i) A minimum population of 5,000;
   (ii) At least 75% of the male main working population engaged in non-agricultural pursuits;
   and
   (iii) A density of population of at least 400 persons per sq. km.

As per NABARD Act, Rural area means the area comprised in any village and includes the area comprised in any town, the population of which does not exceed 50,000 or such other figure as the RBI may specify from time to time.
From the above definitions, we can conclude that the rural area can have total population up to 50,000, density of population per square kilometer is less than 400 and not exceeding 25% of the male workforce engaged in non-agricultural activities.

**Rural Marketing**

All activities involved in evaluating, encouraging and renovating the purchasing power of rural consumers into an effective demand for specific products and services and moving these products and services to the people in rural areas to create satisfaction and a better standard of living and thereby achieving organizational goals is defined as Rural Marketing (Fig. 1.4).

**Definition**

According to the National Commission on Agriculture – “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 and institutional, based on technical and economic considerations and includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution.”

According to Thomsen—“The study of Rural Marketing comprises of all the operations and the agencies conducting them, involved in the movement of farm produced food, raw materials and their derivatives, such as textiles, from the farms to the final consumers, and the effects of such operations on producers, middlemen and consumers.”

The above two definitions reflect a very narrow vision about rural marketing. Rural marketing has two dimensions. One dimension is the movement of goods from rural to urban which is mainly concentrated in the above definitions. And the other dimension is movement of goods from urban to rural which is not concentrated here. So, rural marketing includes transaction of goods from both sides and their functions are:

- Marketing of agricultural products, such as food grains, cotton, sugarcane, tobacco, vegetables, fruits, flowers etc., from rural to urban areas.
- Marketing of manufactured goods and services, such as electric and electronic goods, agricultural machinery, FMCG etc., from urban to rural areas.

In real situation, if we compare the demand for agricultural inputs like, seeds, fertilizers, pesticides, cattle feed and so on among the two sectors; majority of the demand originates from rural sector only. It is because, the population in rural sector is majorly dependent on agricultural activities. The demand for consumables (like soaps, shampoos, detergents, cosmetics, and food items etc.) and durables (like phones, television, vehicles, cloths and other household articles, etc.) also keeps on increasing among the rural people. The need for services in rural areas, like education, health, transportation, communication and so on is also moving in the growth trend. These are all results in the movement of goods and services from urban to rural.

Beyond these two dimensions, one more kind of transaction is the flow of goods and services within the rural areas. The services rendered by Carpenters, Painters, Masons, Electricians, Pot Makers, Blacksmiths etc., are some of the examples for services rendered inside the rural area.

In India, previously marketer’s focus was mainly on urban market which is an easy route. Because the urban markets are already improved in many or all aspects and the people in urban sector also have
sufficient knowledge about products. So, they had put no specific efforts to reach the rural markets. But, due to the increased education and rural literacy level, social mobility, improved communication systems (like mobile phones, television, and various satellite channels etc.) are all reflected in the change of rural life style and consumption pattern. Implementation of latest technologies in agriculture sector reduced the higher dependency on monsoons. These are all revealed in the increase of agriculture income, increased disposable surplus and improved purchasing power of rural people.

Fig. 1.4 Definition of rural marketing

If we observe the report of Indian Census, 2011, rural population of India is 833.1 million which accounts for nearly 69% of total population. For measuring the size and potentiality of rural population, total number of livestock, the extent of land, forest and other natural resources are majorly considered. So, the 69% of rural population and significantly noticeable percentage of untapped rural potential clearly exhibits the prosperity in the growth of rural markets. These are all the major factors which magnetized the marketers toward rural sector.

1.7 DISTINCTION BETWEEN RURAL AND URBAN MARKETS

Before we see the difference between the rural and urban markets, let’s try to understand the meaning of urban and rural markets.
Meaning of Rural and Urban Markets

Rural markets

It is a place involving the exchange of goods and services in order to satisfy demands generated from rural people.

Urban markets

Markets that perform all marketing activities in order to serve the urban consumers are known as urban markets.

There are a number of factors which differentiate rural markets from the urban markets. Factors differentiating rural and urban markets are as follows:

- Infrastructure
- Income
- Lifestyle
- Accessibility and approachability
- Nature of competition
- Level of resistance to change
- Structure of the family
- Climate and cultural conditions
- Market competition

**Infrastructure:** Availability of infrastructural facilities (like good roads, electricity, organized markets, communication facilities, etc.) plays a major role while differentiating rural and urban markets. Good infrastructural facilities always help the marketers as well as consumers for the safety reach of products, particularly while transporting electronic products or glass wares. So, the urban people who have more improved road connectivity, electricity supply and media reach obviously prefer home appliances which are operated through electric supply. This is the key reason for rising urban sales graph for many products when compared with rural sales graph.

**Income:** The urban occupations and income streams are permanent and more stable in nature. So, population in urban side can plan for their expenditures well in advance, due to their predictable nature of income and time frequency.

But, the income of rural population is majorly seasonal one which is not easy to predict. This is due to the people who are majorly engaged in agricultural activities that are too highly dependent on monsoon. If there is any imbalance in monsoon, the poor rural people will be in trouble. So, they obviously prefer to buy the products which satisfy their basic needs and to save the surplus money for their future purpose instead of planning to spend. This creates a huge difference in the demand pattern for a wide range of products among the sectors.

**Lifestyle:** Lifestyle, culture and habits are differing in a big way among rural and urban people. So, their needs and demands also varies naturally. The reason for different lifestyle may be due to the occupations and socio-cultural backgrounds of the people. For example, schools in urban area start at