
UNIT 1 RURAL MARKETS IN INDIA

Objectives

After going through this unit you should be able to:

- get a complete overview of the rural market scenario in India,
- describe the demographic profile presented by the rural markets,
- explain the important socio economic indicators characterizing the rural market,
- discuss the developmental trends in rural markets in India,
- comment upon the dispersion of rural population,
- described the ways in which rural buyers differ from urban buyers,
- identify the challenges for marketers in the rural context.

Structure

- 1.1 Introduction
- 1.2 Why Rural Marketing
- 1.3 Rural Markets: Nature of Transactions
- 1.4 What Constitutes Rural in India
- 1.5 Rural India: A Brief Demographic Profile
- 1.6 Marketing Challenges Presented by the Rural Markets
- 1.7 The Rural Consumer
- 1.8 Summary
- 1.9 Self Assessment Questions
- 1.10 Further Readings

1.1 INTRODUCTION

The rural market in India are undergoing a silent but definite revolution in terms of vastly enhanced purchasing power, consumption priorities and overall volume of consumption of goods and services. The sheer size of the market, as large sections of rural population get converted into consumers, is enough to demand focused attention from both marketing practitioners and academics, to convert the emergent opportunity into realizable market shares and growth targets. In this unit, you will be exposed to some of the indicators of purchasing power in the rural segment, the structure and dispersion of rural markets in India, the market mechanisms in place and those recently emerging or being developed. Let us also, as an outcome of the inferences drawn from the statistical trends on growth and consumption, look at the challenges facing the marketer in creating demand, access and satisfaction in the rural context. As the introductory unit, this unit tries to bring to your attention the sheer dimensions and diversity of rural markets in India.

1.2 WHY RURAL MARKETING

The underlying reasons for undertaking specific efforts to understand marketing practices and to evolve a suitable framework for developing appropriate marketing strategy for the rural India have their basis in two major developments. The first is that on account of rising purchasing power in the rural India, corporate sector is discovering the huge potential that must be realized by creating access and focusing marketing efforts in the rural segment. The second reason is that rural markets and the rural consumers are different enough to demand differential marketing effort and it is important for you to be able to understand these differences as well as the marketing implications that flow from them. The infrastructure and the marketing institution that characterise the rural markets are very different from the urban setting which the marketers are used to. You will study about these variations and the structures as you go through this course. There is therefore an immense opportunity for the marketer to create innovative and creative solutions to tap the rural potential. The other reason, as



mentioned above for studying rural marketing as a specific course emanates from the knowledge that the rural consumer on account of his socio-economic and lifestyle profile, as you would study in block 2 of this course, presents a differential challenge to the marketer. The reference points used by the rural consumer are different from those used by his urban counterparts, his ability to discriminate between alternatives may be different and his value assignment behaviour has been shown to be different. We today do not really have an adequate body of knowledge to understand all aspects of rural buying behaviour and application of appropriately modified research methods has only recently started being made.

Another development which has focused marketer attention now on to the-rural markets is that slowly but surely the infrastructural scenario in the rural India is changing. Supported by thirteen consecutive good monsoons (barring the bad patch of 2002-2003), the rural economy is definitely looking up. A look at the successive plan outlays will demonstrate the attention that the policy makers are now directing at Rural Development. The plan outlays have progressively escalated from Rs. 14,000 crores in the seventh plan to Rs. 30,000 crores in the eighth plan, and Rs. 60,000 crores in ninth plan to a mammoth 90,000 crores in the tenth plan. This resource allocation is expected to be invested in the road network, communication linkages, power, health and educational services, making incremental changes to the rural lifestyles. Added to all this, has been the growth in institutional credit for agriculture in rural India, a sector typically dependent on unorganized credit services. There was a 250% increase in institutional credit for agriculture between 1995 and 2000, and a total of 24 million kisan credit cards have been issued since the inception of the scheme in 1998. Let us look at some interesting facts about the rural India which were presented as part of the background paper at the FICCI Conference Rural Marketing and Communication on 24th April 2003, by Pradeep Kashyap, President, Marketing and Research Team, New Delhi. Consider the following:

- The number of transient rural supermarkets in India (haats) is around 470,000, which is more than the total number of retail chain outlets in the US (35000).
- The Life Insurance Corporation of India in the year 2001-2002, sold 55% of its policies in rural India.
- The 24 million kisan credit cards issued in the rural sector far outstrip the 17.7 million credit+debit cards issued in the urban sector. The amount of money sanctioned under the KCC scheme is a phenomenal Rs. 52,000 crores.

The consumption of electricity by the agriculture sector went up from 17.6% of the total consumption in 1980-81 to 29.2% in 1991-2000. During the same period the industry share has dropped from 58.4% to 34.8%.

These indicators show a definite trend towards growth of markets and indicate towards the potential of rural India. We must however, while looking at these statistics be always conscious that these figures are contributed by more than 70% of the population and therefore while indicative of the directions of growth, are still, in per capita terms, small. Efforts at market making and creating wider access may create a far more healthy picture but only if these developments are also accompanied by a parallel accretion of income and purchasing power in the rural sector. You would read more about the trends relating to the latter, in brief in following sections of this Unit, but in detail in Unit 4 of the course.

It is, however, important for you to understand at the very outset that rural market are not linear extensions, in more difficult terrain, of the urban market and since the context of the marketing effort and the consuming behaviour of the target segment are both different, specific efforts to analyse the dynamics of the, rural market are required to be made, hence the need to study rural marketing as a specialized course of study.



Activity 1

Talk to representatives of at least 2 consumer durables companies and some FMCG companies. Discuss with them to understand their definition of, in terms of market delineation, -what constitutes rural markets. Report an your discussion here. Also find out whether and why they want to venture into the rural markets.

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1.3 RURAL MARKETS: NATURE OF TRANSACTIONS

The rural market may mean many things to many people. For quite some time, rural markets were synonymous with agricultural marketing or agriculture input marketing. If you try to visualize the diversity of transaction that fall under the definition of marketing or related activities you would be able to identify a number of classes of transactions. To name some

- Rural markets involve transactions of agriculture produce and agribusiness products including dairy products, produced in the rural areas but sold all over, including rural and urban markets.
- Rural markets involve transactions in non-agricultural products, made in villages but sold in primarily urban locations. Handspun cloth, hand/block printed fabric, handicraft items, paintings and other local or heritage craft are included in this class of transactions.
- Rural markets involve goods and services produced and created in the villages and sold and consumed largely within the village as part of the sustained self sufficient rural economy. These include products like earthenware pots and pans, local carpentry and tailoring, services like hairdressing and transportation as well as local products, produced and consumed locally.
- Rural markets also involve sale and consumption of goods made by organized industry in both urban and rural sectors.

This course is primarily focused on the marketing of goods and services to the rural market and not on the marketing of the rural produce in the urban market.

10 4 WHAT CONSTITUTES RURAL IN INDIA

Before venturing into the field of rural marketing, let us try to understand what constitutes 'rural' in India. The term rural has been given a definition through the process of defining "Urban" by the Census of India. Accordingly, a habitation is defined as urban if

It is a location with a ' municipality or a corporation, a cantonment area or is a notified town area

All other locations which have a minimum population of 5000, a population density of more than 400 per sq kms. and where more than 75% of the male workforce is engaged in non-agricultural occupations.

Taking on from the above, a habitation is defined as rural if

- It has a population density of less than 400 per sq. km.
- At least 75 percent of male working population is engaged in agriculture related activities, and
- There is, in the location, no municipality or municipal board.



India today has about 6.4 lakh villages . All except about 15,000, have a population below 5000. Looking at marketer defined classification, most companies in the FMCG sector would define any area with primarily agriculture based occupation and with a population of less than 20,000 as rural. Let us look at some statistical details of number of villages in India and the dispersion of rural population so that you may get a clear idea of the size and scope of rural markets in this country.

Table 1.1: Villages in India.

SI No	STATEXT	NO OF VILLAGES (2001)	SI No	STATEXT	NO OF VILLAGES (2001)
1	ANDHRA PRADESH	28,123	19	LAKSHADWEEP	24
2	ANDAMAN & NICOBAR ISLANDS	547	20	MANIPUR	2,391
3	ASSAM	26,247	21	MIZORAM	817
4	ARUNACHAL PRADESH	4,065	22	MEGHALAYA	6,023
5	BIHAR	45,113	23	MADHYA	558,392
6	CHHATISGARH	20,308	24	MAHARSHTRA	43,722
7	CHANDIGARH	24	25	NAGALAND	1,315
8	DELHI	165	26	ORISSA	51,352
9	DAMAN & DIU	23	27	PUNJAB	12,729
10	DADRA & NAGAR HAVELI	70	28	PONDICHERRY	92
11	GUJARAT	18,544	29	RAJASTHAN	41,353
12	GOA	359	30	SIKKIM	452
13	HIMACHAL	19,831	31	TRIPURA	870
14	HARYANA	6,955	32	TAMIL NADU	16,317
15	JAMMU & KASHMIR	6,652	33	UTTARA.NCHAL	16,805
16	JHARKHAND	32,615	34	UTTAR PRADESH	107,440
17	KARNATAKA	29,483	35	WEST BENGAL	40,783
18	KERALA	1,364		INDIA	638,365

You would notice that states vary widely in the number of villages they have, pointing to the fact that rural population are not homogenously distributed in India.

Almost 18% of all villages have a population of less than 200 people. If you estimated the number of villages having a population of less than a thousand people the percentage would be around 60%. The table 1.2 below gives an idea of the population dispersion in rural India.

Table 1.2: Rural Population - Dispersion Status.

Population	Number of Villages	% of Total Villages
Less than 20Q	114,267	17.9
200-499:.	155,123	24.43
500-999	159,400	25.0
1,000-1,999	125,758	19.7
2,000-4,999	69,135	10.8
5,000-9,999	11,618	1.8
10,000 and above	3,064	0.5
Total Number of Villages	6,38,365	100.0

Source: Table 1.1 and 1.2 Backgraound paper prepared and presented by Pradeep Kashyap, President, MART at the Rural Marketing and Communication Conference organized by FICCI on April 24, 2003, Delhi.



Activity 2

You have just gone through figures on rural population and its dispersed trends. Looking at the dispersion of rural population, what in your view are the implications for

- distribution planning
- market segmentation

for a manufacturer of complete range of consumer non durable items

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1.5 RURAL INDIA: A BRIEF DEMOGRAPHIC PROFILE

A clearer idea of the population in term of consuming units can be obtained by looking at incomewise population growth figures in rural India. Though this data is discussed at length in Unit 4, where you go through trends in rural consumer behaviour, it is relevant here for you to know how has the income profile of rural consumer changed over the years. The market roughly consists of a population of 73 million people of which 45% live in pucca houses, over 90% of the dwellings are self owned and a huge number i.e. almost 9% of the total population owns two wheelers. According to NCAER income projections, (Table 1.3) the lower income group in rural India, going by the current economic trends, is expected to shrink from over 60% in 1996 to 20% by 2007. The higher income group in the same period is expected to rise by more than 100 percent. Most FMCG segments, comprising the necessity goods segment in the period are expected to register double digit growth figures.

Table 1.3: Trends in Rural Income

Income groups (Annual Income)	(percent)		
	1994-95	2000-01	2006-07 (projection)
Above Rs. 1,000	1.6	3.8	5.6
Rs. 77001-100000	2.7	4.7	5.8
Rs. 5000-77000	8.3	13.0	22.4
Rs. 2500-50000	26.0	41.1	44.6
Rs. 25000 & below	61.4	37.4	20.2

Source: The future of the New Market Place, NCAER Research Project, Business Today April 7-21 1997.

From the tables and figures quoted above you must have already got some idea of the size and scope of the rural markets in India. To take you to specifics, the NCAER market demographic report 2002, has estimated the number of consuming class households in rural India, with annual income between Rs. 45001 and Rs. 2,15000. be equal to the number of households in urban India. Of course, it must be clearly understood that these equal number of units of consuming class in the rural sector is contributed by a little more than 70% of the population while a little less than 30% population in urban locations is able to contribute equal units of the consuming class. We need to be very clear at the outset that while there are, at the moment great disparities in the urban and rural buying power, the latter is catching up, and it is on this account that, it presents a land of untapped, latent opportunity to most marketers. In terms of disposable incomes for the same level of income, the rural disposable surplus is far higher, because most services like health and education are virtually free and other consumption heads like food and shelter are of a very low or nil order of expenditure. You must be aware from your own consumption patterns that in urban



households, these heads i.e. food, shelter, health and education, account for sixty to seventy percent of the total expenditure. This means that for same level of total income, a rural household will have far greater disposable income to augment their purchasing power. A differentiator, a critical one, however is that most rural incomes are highly dependent on agriculture and thus experience a high degree of volatility. This volatility and lack of certainty about similar income streams coming in, have suppressed the purchasing power of the farmers for a long time. Some market analysts predict that crop insurance is a possible way out, enabling large sections of rural populations to enjoy the benefits of their own purchasing power. To go back to the specifics in size of these market, the rural market which used to account for nearly one-fourth of the total market size in both FMCG and consumer durables goods categories in early eighties has been growing to reach a share of 50% in some FMCG categories and exceeding 50% in other markets. The size of the rural markets annually for FMCG is currently estimated at Rs. 50, 000 crores while that for consumer durables is estimated at Rs. 5000 crores. The market for agri inputs and farm implements is today around Rs. 45000 crores, while the market for automobiles has been estimated at Rs. 8000 crores annually.

In spite of all these positive indicators, there continues to be a great disparity between urban and rural incomes in per capita figures as well as in percentage of population below the poverty line, though the latter shows marked variations across states. The tables 1.4 and 1.5 below represent the disparity in per capita income and the percentage of population below poverty line.

Table 1.4: Income Variation in Urban and Rural India 1999-2000.

State/UT	Per Capita Income (Rs. per annum)		Ratio of urban PCI to rural	Rank
	Urban	Rural		
Delhi	29.364	24.852	1.18	1
Haryana	18.134	14.855	1.22	2
Chandigarh	34.509	27.256	1.27	3
Punjab	21.413	16.540	1.29	4
Pondicherry	18.938	13.215	1.43	5
Rajasthan	15.850	10.693	1.48	6
Assam	17.231	11.109	1.55	7
Gujarat	22.742	14.574	1.56	8
Goa	17.440	11.017	1.58	9
Karnataka	18.394	11.300	1.63	10
Kerala	17.372	10.342	1.68	11
Andhra Pradesh	19.143	11.033	1.74	12
Bihar	12.404	6.976	1.78	13
Uttar Pradesh	12.257	6.738	1.82	14
Himachal Pradesh	19.881	10.816	1.84	15
Tamil Nadu	24.246	12.888	1.88	16
Maharashtra	23.747	11.769	2.02	17
All India	19.407	9.481	2.05	
Madhya Pradesh	14.719	7.079	2.08	18
Meghalaya	20.714	9.284	2.23	19
West Bengal	23.892	8.792	2.72	20
Orissa	15.993	5.704	2.80	21

Source Draft report of NSS 55 round (July 1999-2000) NSSO April 2001. As this data predates their creation, the new states of Uttaranchal, Chattisgarh, Jharkhand are not shown separately.

The figure of percentage below the poverty line in rural India are specially significant as they reflect the shrinkage of the consuming class when seen against the population figure in rural areas. Again you will from the table below be able to see that market Potential of different states vary as they show different percentages of people with disposable income to support significant consumption.

**Table 1.5: Percentage of People below the Poverty Line – State-wise 1999-2000.**

STATES	RURAL	URBAN
All India	36.35	
Andhra Pradesh	22.48	32.28
Assam	61.78	12.48
Bihar	58.85	45.10
Gujarat	26.22	21.70
Haryana	14.86	13.79
Karnataka	38.50	24.55
Kerala	26.50	31.89
Madhya Pradesh	39.35	46.29
Maharashtra	50.00	32.16
Orissa	62.67	34.27
Punjab	14.24	6.74
Rajasthan	25.01	24.34
Tamil Nadu	39.37	29.82
U.P.	29.87	36.39
West Bengal	56.16	16.34

Source : Draft report @ NSS 35th round NSSO April 2001

In terms of occupational classification of the below the poverty line population in rural areas, it is easy to see that a significant proportion is contributed by the agricultural labour. The following table will clarify the situation more fully.

Table 1.6: Distribution of BPL households (Rural) by occupation.

(percent)

Household occupation	1999-2000 (Population)
Self employed in Agriculture	24.12
Self employed in other than agriculture	27.00
Agricultural labour	46.96
Other labour	29.24
Others	18.38

Source: NSS 5 round July 1999-2000, NSSO April 2001

A brief look at the socioeconomic indicators, based on the MIMAP survey, (Micro impact of Macro and Adjustment Policies) NCAER shows additional dimensions of the profile of rural markets in India.

Table 1.7: Key Social Indicators for India: MIMAP 96

	Social Indicators	Rural	Urban
	Education		
1.	% literacy rates	51.7	83.2
2.	% liter" for 7 +	73.2	86.7
3.	Average years of Schooling of	1.42	.40
	primary dropouts		
	Health		
1.	Infant mortality rate (per 000 births)	79.0	75.0
2.	Immunization of children %	65.9	80.8
	(less than 24 months)	46.6	74.5
3.	Antenatal care (percent)		
4.	Prevalence of illness episode (per 000 pop)	119	-
	Basic Amenities		
1.	Households without proper shelter (percent)	53.2	12.8
2.	Access to potable water (% of population)	70.4	86.4
3.	Households electrified (% of population)	46.6	92.0

Source: Rural Marketing by C.S.G. Krishnamacharyulu and Ramakrishnan, person Education, 2002



On the key social indicators, literacy rates have shown an improvement over the years. For both rural and urban populations, literacy rates are much lower for BPL population (rural males 53.8%, rural females 29.4%; urban males 77.2 % urban females 56.1%) You will also find that there is a far wider disparity between male and female literacy levels in the rural India than in urban India. These figures have implications for media choices and package instructions as well as for product promotion methods used. The household electrification, access to tap water, immunization figures, on the one hand, point at the vast enormity of the developmental work yet to be completed and on the other hand, for marketers, portray the significantly differential lifestyles they are now addressing. Their tools for understanding the psychographics and thus deciphering buyer behaviour, would need to undergo major modification and adaptations. There are vast opportunities in healthcare, education and other infrastructure services, provided the services can offer value at the capacity to pay prevalent in these markets. Public private partnership are one way through which access to these services can be viably created. Some initiatives in the rural face of reform are given in the next unit under the section on policy environment.

Some other research studies show interesting dimensions of the rural demographics

- Of the total income generated in the household sector in 2000, rural areas accounted for share of 57%
- The ratio of per capita income of urban to rural income was 2.05 for all of India but was as low as 1.18 and 1.22 for Delhi and Chandigarh and as high 2.80 for Orissa showing that while in some states rural urban disparities are low , others still have a wide divide
- While 45% of rural India lives in pucca houses only 25.5% have a tap to get their drinking water from
- Households at the mercy of seasonal fluctuations in income account for a large share of the rural population
- Merely 5 and .05% of total households headed by petty shopkeepers and businessmen were in the rural area, catering to the need of more than 70% of the country's population. Rural India thus finds a large incidence of transitional market system of haats and melas
- Only 45% of the rural India is approachable by motorable roads.
- The rates of growth in some consumer goods categories is faster than that in urban markets. In fact for some categories of products, the rural market share has overtaken or its fast approaching, the urban market share. The table below indicates the product categories where these trends are most apparent.

Table 1.8: Market share of select products in Rural and Urban Markets.

Product	Urban Share (%)	Rural Share (%)
Analgesic tablets	54.3	45.7
Batteries	43.8	56.2
Blues	47.7	52.3
Coconut Oil	58.4	41.6
Iodized Salt	48.6	51.4
Safety Razor Blades	45.9	54.1
Tea	48.7	51.3
Toilet Soaps	58.1	41.9
Washing cakes/bars	45.4	54.6
Washing powders/liquids	53.6	46.4

Source: <http://www.indiainfoline.com/bisc/mmru.html>

- Despite growing incomes, the rural penetration of consumer durables continues to be low (Average ownership of about 3 durables on an average as against 8.5 in urban-areas)



- The average ownership of electrical goods is .82% per rural family but the same jumps to 2.48 if only the electrified villages are concerned. This compares reasonably well when seen against average ownership of electrical durables in urban areas which is 3.39
- The recent Pradhan Mantri Sadak Yojana, a programme with an outlay of 60,000 crores, introduced to connect 1,90,000 villages through roads is expected to vastly improve the market connectivity and should see a definite change in the way marketers approach their rural operations

Activity 3

Critically assess, in view of the demographic profile of the rural markets just studied by you, what is the type of market opportunity for the following products and services in the rural markets. ease your comments on your discussion with people in organizations associated with these products/services

- cooking oil
- insurance service
- computer training services
- two wheelers
- digital inverters

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1.6 MARKETING CHALLENGES PRESENTED BY THE RURAL MARKETS

That rural markets for a large number of FMCGs and some consumer durables, represent the new land of opportunity cannot be denied. Yet our lack of complete understanding of the challenges presented by the rural market has acted as a barrier inhibiting quite few companies from venturing into these terrains. Yet, the companies that have taken time and effort to understand the needs and aspirations of the rural markets have met with great success and some corporate giants like HLL and Colgate Palmolive show a large share of their market (52 and 47% respective) is now contributed by rural India.

Arvind Mills, finding that even the cheapest ready to wear jeans were outside the paying capacity of most rural youth, introduced their ready to stitch Ruf and Tuf jeans kit at Rs.195 against the ready to wear range of Rs. 250 to 300 at the lowest level. Like all efforts at market building, Arvind Mills had to take specific initiatives and make investment to create primary demand. Local retailers in locations with 5000+ population were stocked with the product, training was provided to village tailors and special accessories enabling them to stitch heavy duty denim were also supplied. Demand crossed a million kits in the first two months and a sales figure of five million kits was crossed in eighteen month. The issue here is one of patience; of identifying roadblocks and devising solution to overcome them. While separate units are later in the course, devoted to specific facets of the marketing challenge presented by the rural markets, let us here take an overview of these challenges confronting a marketer as he approaches the rural markets.

- **Getting to know the Rural consumer:** The marketers' (barring a few) understanding of the rural consumer is, for all intents and purposes, limited. Most of their experiences have been earned in urban contexts which, as you have seen are vastly removed from the rural ones. The economy, lifestyle, languages spoken, awareness levels regarding alternative choices, exposure to media,



reference groups, family decision making, value perception, impact of culture and social mores are all very different. To add to the complexity, the urban rural divide is not uniform, the differentials between urban and rural become pronounced as the remoteness from urban locations rises. Heterogeneity in dispersion of rural population and lifestyle across the country and between states add to the marketer's problems of appropriately segmenting the markets on a realistic assessment of buying motivations and buyer behaviour involved. You will study about these issues in detail in Block II of the course.

- **Accessing the rural consumers - the distribution dynamics:** Distribution in rural India is considered a tough challenge to overcome, on account of 700 million + people spread in 6,00,000 + villages and that too unevenly. (Ref. Table 1.2 on rural population dispersion). Less than half the villages are connected through motorable, all weather roads. The rural retail institutions are fairly widespread, though the product choices made available are few. Most marketers have reckoned, that for the FMCG sector direct supply to feeder towns (population 20000+) would be quite adequate, as each of the distributors in turn, could service a supply network of more than a hundred outlets in about fifty locations which can then cover majority of villages with 2000+ population. You must appreciate that while these villages (2000+population) number only 85000, they account for upto forty percent of population and account for above sixty percent of the total rural consumption. The problem of access is for reaching the balance 60% of the population adequately. Marketers also contend that the rural consumption is at a certain level today partly because access to desired products and services is low. Utilizing the traditional outlets of haats and melas effectively, finding customized local solutions, employing mobile vans for transportation cum sales purposes, are some answers that marketers have chosen to employ. We will deal with the issue of rural distribution at length in Block V of this course.
- **Product and pricing choices:** The rural consumer is an astute consumer and a discerning buyer, partly because of the various demands on a limited discretionary income. Marketers therefore need to understand that their product mixes for the rural marketers would need to be judiciously planned in views of the rural reality. Smaller packs and stocking units have been imaginatively used by some markets. Packaging has to be responsive to the rural preference for colour and size while branding needs to be strongly associative. The plight of the marketer is compounded by the blitz of spurious brands that flood the rural market in the FMCG sector, taking advantage of the lack of exposure of rural consumers. Product and brand recognition therefore, become a critical challenge. Marketers also recognize that a majority of branded products are facing an introduction and early growth stage of PLC in the rural market so their product strategies in comparison to the urban efforts would need to vary.
- **Pricing in the rural market** has now successfully overcome the myth that only cheaper, stripped down variants will sell well in these markets. Rural consumers certainly, like their urban counterparts, want value for money but may not have buying capacity to buy larger units at a given purchase occasion. Adaptation of pricing strategy, promotional pricing and price bundling are some of the ways marketers have applied to their advantage. We will take a detailed look at product and pricing issues in Block III of this course.
- **Promotion in Rural India:** You have, in the earlier section, seen the literacy profile of rural India. Electronic media covers only 29% households in this segment, making the most used media vehicles (print and audiovisual) have a limited application as promotional media. The villagers sources of information about products and brands are limited, key influences are exerted by word of mouth, opinion leaders and existing users. The limited information sources inhibit the rural confidence in buying new products and marketers have a key challenge in building up trust and reassurance. In order to communicate effectively in rural markets, marketers would need to have a clear understanding of rural aspirations, fears, perceptions and role models. Traditional institution of



haats and rnelas have not been adequately utilized by markets but their potential as platforms for promotions is being fast realized. We will go through these issue in Block IV of this course.

1.7 THE RURAL CONSUMER – GENERALISATION DRAWN FROM RESECH

Marketing and Research Team, (MART) an organization involved for decades in rural marketing research, has over the years built up a veritable trove of research findings on rural consumers and their consumption patterns. Some of these findings were presented by Mr Pradeep Kashyap, President, MART at the recently held Rural Marketing and communication conference organized by the Federation of Indian Chamber of Commerce and Industry (FICCI) at Delhi on April 24th, 2003. The following section is based on the presentation, after due permission from the author.

1. The rural consumer may not be very educated, but he is certainly astute, with a lot of commonsense and practical experience of handling the vagaries and uncertainties of life. He displays great ingenuity and adaptability as evidenced by his learning to repair his tractor, hand pump and motorbike, and finding a host of local solutions in everyday life.
2. Though low on economic resources, he does not go in for only 'cheap' products but looks for value for money. Perception of a premium product is not yet relevant in rural markets, with consumers more concerned with functionality than unnecessary 'frills' with a consumer durable. Too many features with a product tend to confuse the rural consumer.
3. Rural consumers are generally mistrustful and wary of urbanities and turned off by their patronizing attitudes. It is not easy for a rank outsider to get the rural consumer to spend money.
4. Brand adherence is high among village consumers. This may not necessarily be on account of loyalties. Limited access to alternatives and lack of information about possible choices do make them 'stick' to tried and tested brands.
5. Brand recognition is often on the basis of logos, symbols, colours rather than the exact brand name. This tendency is partly responsible for the widespread menace of spurious products in rural markets, as it is easy to deceive the rural consumer with look-alikes.
6. A very high degree of involvement characterizes purchase of expensive products like consumer durables. A lot of checking and counterchecking is done to seek reassurance on the soundness of the buying decision. Marketers must embody reassurance and provide opportunity to 'see and touch' the product in their marketing communication processes.
7. Routine is important to a rural consumer's life as a lot of time consuming activities characterize his everyday life. The routine is governed by nature and seasons, not by the calendar or the clock. Sunday is not typically a holiday. In buying processes, the consumer is not in a hurry and cannot be pushed into a hasty purchase for these segments.
8. Rural incomes show a great seasonality for the segment of large farmers. The segment of petty farmers, farm labour, non farm workers and the salaried class show a greater regularity of income patterns so the consumption cycles are also more regular and predictable.
9. on account of far higher degree of inter personal communication characterizing village life and relatively low penetration of mass media, word of mouth is a very effective medium of influence generation. Existing users, dealers, village influentials, youth studying or working in urban locations are all consulted before making purchases.
10. Among the households with TV ownership, TV viewing is the highest among women and children who in contrast to the traditional, household head dominated decision scenario are fast emerging as demand generators for the household



goods. Decisions on durables like radio, TV and two wheelers are still male dominated decisions, taken in consultation with other people in the community.

11. The rural youth are increasingly becoming more exposed to urban lifestyles on, account of their frequent visits to urban locations either for higher education or for work. Their media exposure to television is also much higher. This makes urban lifestyles an aspirational model for them and their preference for national brands is on the rise.
12. While culture and social norms have a greater hold on rural consumer than urban ones, perceptions, traditions and values vary from state to state, sometimes from region to region. It is therefore, difficult to work with a pan rural Indian communication package. Two step flow of communication, using opinion leaders and mass media both, seems to work better in rural settings.

These observations made on the basis of a host of research based inputs make it very clear that rural marketing effort cannot be visualized as a simple extension of the urban marketing process. It is a different market and presents a different set of premises on the basis of which suitable marketing effort, adapted to the realities of rural India would need to be designed.

Activity 4

On the basis of the above sketch of the rural consumer, as the marketer of an aerate nationally sold brand of aerated cold drinks what are the marketing implication that you will draw for

- a. your rural product mix b..
- b. your rural promotion e,
- c. your rural distribution

Justify your answer on the basis of what you have learnt about the rural markets i this Unit.

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1.8 Summary

Rural Markets in India are vast, geographically dispersed and diverse. With the growth in rural incomes and the higher purchasing power emanating from the same, rural markets have emerged as the new destination of marketers interested in improving their market shares. The opportunity, however, is not free from several daunting challenges. It is well understood that as a relatively untapped territory, the markets would reward the early entrants, specially those who move in with some understanding of the rural consumer and markets. This unit introduces you to the theme of what rural markets in India are all about, in terms of their size, scope, nature and diversity. It is against this backdrop that you would learn to plan and implement the marketing effort for the rural markets. The unit provides an overview of the subject, the various facets of which will be dealt at length in the successive blocks that follow.



1.9 SELF ASSESSMENT QUESTIONS

1. What do you understand by the term rural markets? Explain. Comment upon the nature of transactions that take place in the rural markets.
2. If the same principles of marketing apply for any kind of market, why is there a need to study rural marketing separately as an area of study?
3. What are the implications of the rural urban income disparity for marketers? Analyse the information given in the unit and comment.
4. How do socio-economic indicators make the rural market a different market ? Explain.
5. There are a lot of observations made towards the end of the unit about rural consumers. What are the promotion, pricing and product implication arising out of this knowledge about the rural consumers? Illustrate with examples.
6. What are the specific challenges for marketers intending to make a bid for the rural markets? Explain with examples.

1.10 FURTHER READINGS

1. Background paper by Pradeep Kashyap, President MART, presented at Rural Marketing and Communication Conference, organized by FICCI, New Delhi (April 24th 2003).
2. Rural Markets, A world of opportunity, October 11, 2001 w.w.w.hindunet.com
3. Tara Sinha, "Is being crude worse than -----? Advertising and Marketing, Jan 31, 2001.
4. Sanal Kumar Veluyadan "Rural Marketing: Targetting the Non urban Consumer" Response Books 2001, New Delhi.

You are also requested to look into the following sites to get further updates on rural marketing inputs.

1. www.hll.com
2. www.indianfoline.com
3. www.equitymaster.com
4. www.ruralrelations.com
5. www.amul.com
6. www.indiaruralmarket.8k.com
7. www.martrural.com
8. www.anugrahmadison.com
9. www.samparkrural.com