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### The rural economy governing strategies of rural marketing for consumer durables in India

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#### Abstract

In recent years, rural markets have acquired significance, as the overall growth of the economy has resulted in a substantial increase in the purchasing power of the rural communities. On account of green revolution, the rural areas have started consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy has emerged which is called rural marketing. The concept of rural marketing in India economy has always played an influential role in the lives of people.

**Keywords:** Rural marketing, consumer durables, rural communities, manufactured products

#### Introduction

India's vast rural market offers a huge potential for a marketer facing stiff competition in the urban markets. The rural market environment is very different from the familiar surroundings of the urban market. Rural consumers have customs and behaviors that the marketers may find difficult to contend with. The rural markets in India have grown size, range and sophistication in recent times. Under the changing Socioeconomic scenario, the rural markets have great potentialities in India and offer bright prospects and attractive to the companies.

In fact, the rural markets are green pastures for companies today, as they are growing faster as compared to the urban markets. With their huge size and demand base, they offer great opportunities to the marketers. More than three-fourths of the country's consumers reside in rural areas and more than half of the national income is generated by them. Due to the global economic downturn, the companies are few facing slower urban sales, prompting them to make a rush towards rural India. The term rural marketing has been used widely in both academic and corporate worlds. Business organizations have incorporated the word into their marketing rhetoric.

Academics have produced a plethora of textbooks and offered elective courses on rural marketing in various business schools, which bears testimony to the growing importance of the subject in management schools in India. An analysis of the content of a number of textbooks written on the subject reveals that the meaning of rural marketing has changed over the past few decades.

#### Characteristics of Rural Marketing

Some of the important features or characteristics of rural marketing are being listed below:

**Large and scattered market:** The rural market is very large in size and mostly scattered. As these markets are of diverse nature, the people living in those rural areas are from diverse cultural, linguistic and religious background. No two markets are alike and it is dispersed across India. Here in India, the rural market consists of over 63 crore consumers from 6, 20,000 villages spread throughout the country. Therefore a large population gives an opportunity for marketing a variety of goods and services. However, income and purchasing power play a major role in determining the demand in rural areas.

**Occupation Pattern:** Agriculture and related activities continue to be the main occupation for the majority of the rural population. Land is the major source of income for about 77% of the population. Others are engaged in business (10%), non-agriculture, and labour (9%), and

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salary earners (2%) and not gainfully employed (2%). It is evident that rural prosperity depends upon growth and development of agriculture.

**Lower standard of living:** The consumer in the village area does have a low standard of living because of low literacy levels, low per capita income, social backwardness, low savings, economic backwardness, lack of exposure to the media, etc. In general a rural consumer spends less on non-food items.

**Traditional outlook:** The rural consumer values old customs and tradition. They do not prefer changes. In other words, the adaptability to change is lethargic and hence the problem of marketing of goods is much prevalent.

**Diverse socio-economic backwardness:** Rural consumers have diverse socio-economic backwardness. This is different in different parts of the country. There exists tremendous variation in culture, life style, tastes, preferences, culture, etc of the rural consumers.

### Infrastructure facilities

The infrastructure facilities like roads, warehouses, communication systems, and financial systems are inadequate in rural areas. Most of rural markets are not connected by roads. Most of the roads are Kuchay and become unusable during rainy season. Many farmers use bullock cart for transporting their produce from village to the market. This means of transport is time consuming. And same is the problem with transporting the goods from urban markets to rural areas. Hence physical distribution is hampered.

**Prevalence of spurious brands:** Most rural markets are inundated with local brands or spurious brands, which are quite cheaper and therefore affordable to the people.

**Seasonal demand:** The rural markets are characterized by seasonal demand for products, especially costly products. This is due to the fact that agriculture is their main source of income and once it is harvested, then and only they would be able to buy products.

**Media Reach:** The media reach in rural household is low. Statistics indicates that the reach of Print media is 10%, followed by TV 31%, Radio 32% and Cinema 36%. Therefore the marketer has to consider rural specific promotion media and methods to reach the villagers.

### Rural Marketing Strategies

The rural market in India is undergoing a silent revolution on the back of enhanced purchasing power of rural consumers, the changing consumption patterns and increasing overall value of consumption of goods and services. The sheer size of the rural market which has witnessed tremendous growth in the recent years as large sections of rural population transformed into discerning consumers has caught the imagination and incited business interest of the top conglomerates in the country. Competition does not exist to that much extent in the rural areas as it is in the urban market. Brands rarely compete amongst each other in the hinterlands. While the rural markets certainly offer a big attraction to the marketers, it would be totally naïve to assume that any firm can have easy access to these markets and can walk away with a sizable share of it.

A dramatic and considerable change is observed among the Indian villagers. This change is with respect to the behavior and buying habits of the rural people. Villagers who used to crack open peanut candies, eat the nut and throw away the shell are now demanding chocolate candies that will melt in their mouths, not in their hands. Charcoal, Neem twigs and twigs of Babool tree to cleaned teeth are replaced by toothpaste. Today, the ultra-bright shine of Colgate or some other international brand of toothpaste holds more appeal than the traditional methods of cleaning teeth. Needless to say that consumerism and globalization is invading parts of India where time seems to have ceased for centuries. While taking the buying decision, urban individual involves family, husband, wife, and children whereas in rural areas it is the men who make the purchase decision primarily because of lack of mobility amongst rural women and their awareness level about the market. Rural consumer is also influenced by strong social interaction and community decision making is quite common. Rural marketing cannot succeed if the strategies and action plan are merely extension to urban marketing strategies and plans. In order to make the most of the untapped rural market in India, companies need to understand the dynamics of rural consumer behaviour in order to design strategies for rural consumers and to be successful.

The biggest challenge today in rural marketing is to develop a scalable model of influencing the rural consumers' mind over a large period of time and keep it going. This needs to be achieved in a limited or a reasonable budget. That's where the marketers who really understand rural markets and advertising agencies can make a difference and develop a suitable communication model.

### Product strategy

In India, rural market is relatively special, which has the different consumer community, located in the different physiographic region and the different consumer community, has the difference consumer demand. Therefore, when a company launches product for the rural market, they should pay great attention to meet the rural consumer's need, emphasizing difference research. The company needs to take meet farmer's expense demand as the guidance, then adjusts product structure, increasingly improves product quality, ameliorates product function and develops practicable, solid which are suitable for the rural market. At the same time, product packing and brand also should conform to farmer's consume psychology and the consumer custom. The most important aspect that the company must focus is on the enhancement of product's basic function and the reduction of unpractical accessional function, which can not only reduce the product cost and price, but also can help the dissemination of company's brand effect.

**Positioning:** Product positioning plays a crucial role in marketing of rural products. Marketer has to position their products after understanding the unique characteristics of the rural market environment. Positioning involves three tasks-

- Identifying the unique features of the company's offer with respect to the competitor's offers.
- Selecting the differences that have greater competitive advantage.
- Communicating such advantages effectively to the target audience.

Companies can reposition their existing products in rural markets. For example, refrigerator manufacturing companies can launch a refrigerator of bigger size because most of the families in rural areas are joint, big families and they require big refrigerators having bigger storage capacity. Secondly in India most of the villages are facing acute shortage of water; here companies can reposition their washing machine, which require less water than any ordinary washing machine.

### Segmentation and Targeting

Right segmentation and targeting principles are key to achieve faster success in rural market. 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. Segmentation can be done based on one or more variables like demographic, geographic, psychographic and behavioral aspects.

**a) Geographic:** As the rural market is spread over a large area, companies can divide the market area into small sectors having some geographic similarity to consolidate their distribution network.

**b) Demographic:** The market can be divided on the basis of demographic variables like income, education, lifestyle, gender, marital status, family size, occupation and religion. Due to unequal distribution of income, the Indian market for detergents is structurally shown like a pyramid.

**c) Psychographic:** Market is divided into different segments based on psychographic factors like social class, life style and personality. E.g. in some parts of Gujarat, it is reported that farmers are going in for big, 50 hp (horse power) tractors, when there need was for much smaller, typically 25 hp to 30 hp ones. The reason, when asked was the compulsion to-keep up with the neighbors and to replicate their lifestyle.

**d) Behavioral:** The following factors play important role to segment the market; occasions, benefit sought, user status, usage rate, loyalty status, and place and product possession category.

**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. Therefore, national and international brands should focus more on satisfying the needs of the rural consumer by providing the same branded products, which these rural folks lure for.

**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 labeling on the package is not in the local language. This is a major constraint to rural consumers understanding the product characteristics. Hence, companies should take into consideration proper packaging and the size of the packs before diffusing their products in rural areas. Many FMCG companies, selling products ranging from biscuits to shampoos, have introduced smaller pack sizes to increase category penetration. For example, the products like shampoos, soaps, hair-oil, toothpaste, spices, pickles, jams, ketchups, tea, coffee sachets, confectionery products, medicated products like Vicks, pain-relieving ointments, etc. are now being offered in sachets in rural markets. The rural market experts may also practice value engineering, lowering the input costs by using alternative materials for raw materials or as packaging alternatives. It is generally believed that markets are created, not found. This is especially true in case of the rural market, where the demand is created by promoting urban specific products to rural consumers.

**Customized products:** Rural consumers typically define value in terms of the functional focus of a product or service-its durability, affordability, and fit for multiple uses. Rural lifestyles and behavioral trends are increasingly coming to resemble urban patterns, in both form and variety. Growing aspirations are as much a factor in rural markets as price sensitivity and an acute sense of value for money. Success in those markets calls for knowing how to balance those factors. Creation and development of markets in the hinterland involves building consumer understanding, product customization, relevant pricing, value engineering, and innovative modes of advertising and promotion-all designed to increase consumption and open up new markets. A close observation of rural household items indicates the importance of redesigning or modifying the products.

**Price strategy:** Pricing strategies are very much linked to product strategies. With low disposable incomes, products need to be affordable to the rural consumer, most of which are on daily wages. Some companies have addressed the affordability problem by introducing small unit packs. Some of these pricing strategies are mentioned below

**Income variability:** India's wide income distribution implies that there exist multiple segments with very different levels of purchasing power. The challenge for consumer goods companies is to develop more rural specific products that are able to capture bigger share of the rural markets.

**Focusing on volume not margins:** The companies must concentrate on the lower segment which is quite sizeable in number. A significant portion of the rural population is paid daily wages. Daily wage earners tend to have little stock of money, and, therefore, tend to make purchases only to meet their daily needs. Therefore, the marketing strategies in rural India must be to concentrate on large volumes over low margins and thus the overall profitability can be maintained.

**Lower prices:** Many companies tend to bring their existing products at a much higher price and follow marketing strategies that are not in sync with what is required to sell to the consumer in rural areas. Hence, they end up serving the

high-end niche players. In reality, consumers in the rural areas are highly price conscious. They tend to purchase only those products, which are inexpensive in nature, may it be local brands. This gives the local or regional companies an edge over the MNCs in the rural areas. Moreover, companies have adopted an unwritten policy to dump second grade quality products to sell them at lower prices in the rural market.

**Promotion Strategy:** Various types of promotional methods work as integrative systems between producers and consumers. In case of consumer goods, this is done on large scale, whereas for rural products, it is on a small scale or specific target wise done. The producers and processors think in terms of How to reach our customers and how our customer can reach us. Due to technological innovations people can now communicate through both traditional and newer methods of media. Both mass communication and or target communications can be used as per the requirements. Very commonly used media of communication are newspapers; magazines, radio, TV, telephone, computers, fax, pagers and mobile phones. These usage proportions differ from product to product. For five marketing related functions like (1) Advertising (2) Sales promotion (3) Public Relations (4) Personal selling and (5) Direct marketing, there is a different way of approaching in urban and rural markets.

### Marketing Strategy for a Growing Market

In case of growing market, the strategic options include those of increasing the market share and the option of increasing the size of the market. To increase the market share, we suggest the following strategic options in light of the experience gained by some successful marketers:

1. The marketers should target the institutional market before consumer market. For example, SAIL planned to sell steel for agricultural implements to the small scale sector, the village artisans and blacksmiths. Later on, it planned to get into the household sector for selling galvanized sheets and other products (Business Standard, 1999) <sup>[11]</sup>.
2. The marketers should target select villages. The IMRB study and a study by the marketing and research team (MART) suggest a correlation between the size of the village and the purchasing power of the people. Focusing on distribution and promotion efforts in the 2,000 plus population villages is an effective strategy according to the results of these studies (Kashyap, 1998) <sup>[14]</sup>. Viability in reaching rural markets is made possible by targeting larger villages. For example, Colgate-Palmolive's marketing strategy 'Super Shakti' for rural India selects villages for its promotion efforts. The strategy follows the value pouch route for toothpowder and non-conventional media (road shows, contests, sampling, posters, wall paintings and screening of popular films). The implementation of this strategy is by the selection of two villages within a radius of 5 km of every town for the promotional activities (Business India, 2000: 14).
3. One major characteristic that is distinct to the rural urban markets are melas, haats and mobile traders that play a significant role in the selling of goods and services. The marketing and research team study found that the larger haats are generally held in bigger villages

because of better roads and transport connections and higher purchasing power available in the host villages. Marketers should pick the haats and melas close to the large villages. The list of long duration, regional and national level commercial melas does not exceed 500 all over India. By using the melas to create awareness about brands, a company can hope to reach almost half the population of rural India at a fraction of the cost as compared to other media options (Kashyap, 1998) <sup>[14]</sup>.

4. There are support tools such as software packages for focus in implementation. Software packages now provide data on rural India to aid the focus on high potential locations in rural markets. Marketers can use criteria on the basis of which the software package identifies the required locations. The marketer can use criteria like male-female ratio, income levels, literacy levels, accessibility, distance from nearest town, bank deposits, schools, dispensaries. The marketer can provide weightage for each of these dimensions and based on this software lists all the locations. The marketer can select the areas which meet the required criteria (Rajshakar, 1999) <sup>[17]</sup>.
5. A common approach to rural markets is to intensify effort to access rural markets through promotion and distribution and also to reduce the unit cost of the product usually through small size packs. An example for this is the Amrut Anjan Pain Balm. The 10 gm pain balm in bottle did not do well in rural markets of North India. Amrut Anjan introduced the pain balm in small plastic containers, which were put in colour ful sachets and were priced at Rs 2 in the rural markets of Uttar Pradesh and Bihar. It used rural van promotion and screened films depicting the benefits of the product. It also distributed free samples to introduce the new pack. This resulted in substantial revenue from rural markets (Business Line, 2001) <sup>[10]</sup>.

### Marketing Strategy for Increasing the Market

This is possible through new brands and increasing the product range. Hence we suggest the following strategic options:

1. A new brand for rural markets and use of non-conventional media for the rural audience is an option to compete in rural markets. The rural consumers being value for money customers are more concerned with the utility of the products. Being mostly semi-literate, a brand name and/or logo which can be easily remembered is very essential for rural consumers. The brand name used is the one that the rural consumers can associate with. This is visible in the paint industry. Berger Paints launched a new brand of paint for the rural market called Jadoo. The Jadoo range includes cement paints, emulsions and enamels. The product features include greater durability, lower price and low maintenance. It promoted the brand using puppetry, magic shows, nautanki and quawali. The company distributes Berger Jadoo branded bindis (forehead decorative used by women) to potential customers. To ensure the availability of the brand in rural markets, the company opened branded shops called Jadoo Rang Bhandar in rural markets (Business Line, 2001:6).
2. The marketers should increase the product range. Companies increase their viability by adding on products of other companies to increase their viability.



For example, Indian Oil Corporation increased their reach to the rural markets through their Kisan Seva Kendras'. The Kisan Seva Kendras not only retail petrol, diesel and lubricants but also agricultural inputs like fertilizers, pesticides and farming equipment (Mishra, 2005) <sup>[16]</sup>.

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## Conclusion

The 'Go Rural' mantra is the need of the hour for most of the companies to survive for a longer time in the competitive market scenario. For decades, MNCs have sold modified products in India, a process widely recognized as globalization. This strategy worked reasonably well with the more affluent urban consumers whose behavior is somewhat similar to Western consumers. With growing rural purchasing power and the three times larger population than urban, companies will need to develop appropriate products for this market. The globalization or minor modification will not work as rural consumers are very different. By 2020 it is expected that every village will be connected by an all-weather road, every village will have internet connectivity, and almost every home will have electricity and possess a mobile phone.

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