

Marketing Innovation in Rural India

Ms. Neetu Saini¹, Ms. Meenakshi Gupta²

¹Research Scholar, Punjab Technical University, Jalandhar, India

²Assistant Professor, Dept. of MBA, E-Max group of Institutions, Ambala

Abstract—The Indian rural market is an area of darkness to Indian corporate. The rural market of India started showing its potential in the 1960s. The 70s and 80s witnessed its steady development. And, there are clear indications that the 21st century is going to see its full blossoming. In our country, where research on consumer behavior has been nominal, not much systematized information is available about the rural consumers. Only a few enlightened companies, known for their marketing orientation, viz., Hindustan Lever, Philips India, Asian Paints, Singer and Larsen and Toubro have made concrete efforts in this direction. But, by and large, we have still to understand the rural buyer, his habits, attitudes and behavior, particularly from the marketing point of view. About 3/4th of the total population resides in the rural areas and hence, the development of the nation is inter-linked with the development of the rural population. With over 70% of India's population residing in rural areas, capturing these markets is becoming one of the most profitable options for all sectors

Keywords—Marketing Innovation, Rural Area, Urban Area.

I. INTRODUCTION

Mahatma Gandhi in the year 1926 had once said “India's way is not Europe. India is not Calcutta and Bombay. India lives in her several hundreds of villages.”

The rural market in India brings in bigger revenues in the country, as the rural regions comprise of the maximum consumers in this country. The rural market in Indian economy generates almost more than half of the country's income. Rural marketing in Indian economy can be classified under two broad categories. These are:

- The market for consumer goods that comprise of both durable and non-durable goods
- The market for agricultural inputs that include fertilizers, pesticides, seeds, and so on.

The concept of rural marketing in India is often been found to form ambiguity in the minds of people who think rural marketing is all about agricultural marketing. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas.

II. CHARACTERISTICS OF RURAL MARKETING

Some of the important features or characteristics of Rural Marketing in India Economy are being listed below:

- With the initiation of various rural development programmes there have been an upsurge of employment opportunities for the rural poor. One of the biggest cause behind the steady growth of rural market is that it is not exploited and also yet to be explored.
- The rural market in India is vast and scattered and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and

regions and thereby, the maximum number of consumers.

- The social status of the rural regions is precarious as the income level and literacy is extremely low along with the range of traditional values and superstitious beliefs that have always been a major impediment in the progression of this sector.
- The steps taken by the Government of India to initiate proper irrigation, infrastructural developments, prevention of flood, grants for fertilizers, and various schemes to cut down the poverty line have improved the condition of the rural masses

III. FACTORS RESPONSIBLE FOR BOOM OF RURAL MARKETING IN INDIA:

1. **Increasing Population of India:** The growth of Indian population to being the world's second most inhabited country with 1.252 billion (2013) residing in the nation has propelled increasing demand for consumer goods, services, banking facilities etc- And as stated above, with 70% of this population living in rural areas, a spike in the need for creating rural market specific strategies is inevitable.
2. **Rise in Rural Income:** India turns to be a \$1.7 trillion economy with per capital income soaring by 10.4% in 2013-14 to Rs 74,920, the purchasing power of both rural and urban India is growing every year.
3. **Government Rural Development Programs:** Various initiatives taken by the Indian government has boosted growth the rural economy. Department of Rural development under the Ministry of Rural Development has initiated many schemes which has been facilitating and boosting the growth of rural India. Mahatma Gandhi National Rural Employment Guarantee Act, Swarnjayanti Gram Swarozgar Yojna,

Pradhan Mantri Gram Sadak Yojna, Indira Awaas Yojana and National Social Assistance Programme are the few successful government schemes.

4. Development of Transport and Communication Networks: Easy & quick access to information and to nearby developed cities has made the rural areas dynamically connect to their urban counterparts.
5. Foreign Investments: Foreign investments in NGOs, working towards the betterment of rural areas, have gradually increased in the country. Consequently, there has been a steady rise in rural growth.

IV. OBJECTIVES OF THE STUDY:

1. To know the Rural Market status in India
2. To state principles of innovation for Rural Markets.
3. To discuss various strategies for marketing mix in Rural Markets
4. To highlight the opportunities and challenges of Rural Marketing in India

V. RESEARCH METHODOLOGY:

Data is collected through secondary sources like the websites, journals, reports published on websites.

VI. PRINCIPLES OF INNOVATION IN RURAL MARKETING

THE PRINCIPLES and practices of innovation to be adopted in rural market have to take into consideration: needs, lifestyles and consumer behavior of the rural population. It is extremely important that the product, pricing, promotion and distribution strategy are not just innovative alone but they must make product value proposition attractive and relevant for rural consumers.

PROCESS INNOVATION

Process innovations are critical in rural markets. Innovation must focus on building a logistics infrastructure, including manufacturing that is in accordance with the prevailing conditions and can deliver solutions in a cost effective manner.

PRODUCT INNOVATION

Product development must start from a deep understanding of functionality, not just form. Marginal changes to products developed for customers in the towns might not be that effective in rural market. The infrastructure and environment, in which the rural consumers live and work in, demand a rethinking of the functionality a new. Poor consumer's problems cannot be solved with old technologies. New technologies need to be developed to make the product relevant to the rural consumers whose product use environment is very different from urban consumers.

PRICE INNOVATION

Conserving resources is the mantra; the product meant for rural market must eliminate or reduce the various recurring

costs and thus should reduce resource intensity. The option of reuse, refill and recycle are critical principles in product development for rural market as they reduce the overall cost of the product. India is a value for money society- while the value may range from a few rupees to millions; the basic instinct remains the same. Market strategies must ensure the prices of the product are reduced either through re-engineering; cost saving in operations, reduction in pack sizes, deletion of frills from the core product, etc. but this reduction in price should not be at the cost of quality and service. Organizations have to focus on price performance of the product.

PROMOTIONAL INNOVATION

Changing demographics and spending profiles present countless opportunities for a creative response by the corporate sector. Promotional campaigns have to be innovative to target the youngsters by engaging them through combination of media options. Promotional campaign such as video mounted on trucks traveling low cost theatrical need to be undertaken for any serious promotional effort in rural areas.

RURAL RETAILING

Retailing in India is slowly on the rise with changing consumer preferences and tastes and evolution of a global structure. Rural markets are relatively virgin markets, which have evolved on their own with very little direct contact with them by the corporate world, but their size is compelling and attractive. Retail sector offers opportunities for exploration and investment in rural areas, with Corporate and Entrepreneurs having made a foray in the past. India's largely rural population has caught the eye of retailers looking for new areas of growth. Market structure in India is dichotomous having rural and urban markets. One of the principal reasons behind the explosion of retail outlets and its fragmented nature is that retailing is probably the primary form of disguised unemployment/ underemployment.

VII. RURAL MARKETING STRATEGIES

Dynamics of rural markets differ from other market types, and similarly rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer. This, along with several other related issues, have been subject matter of intense discussions and debate in countries like India and China and focus of even international symposia organized in these countries. Rural markets and rural marketing involve a number of strategies which includes following,

1. **Client and Location specific promotion:** It involves a strategy designed to be suitable to the location and the client.
2. **Joint or co-operative promotion:** This strategy involves participation between the marketing agencies and the client.
3. **'Bundling of inputs':** It denote a marketing strategy,

in which several related items are sold to the target client, including arrangements of credit, after-sale service, and so on.

4. **Developmental marketing:** it refer to taking up marketing programmes keeping the development objective in mind and using various managerial and other inputs of marketing to achieve these objectives.
5. **Media,** both traditional as well as the modern media, is used as a marketing strategy.
6. **Extension Services denote,** in short, a system of attending to the missing links and providing the required know-how.
7. **Ethics in Business form,** as usual, an important plank for rural markets and rural marketing.
8. **Partnership for sustainability:** It involves laying and building a foundation for continuous and long lasting relationship.

VIII. APPROACHES TO TAP THE RURAL MARKET

- **Direct selling** - Through company delivery vans, syndicated distribution between non-competitive marketers, setting up of temporary stalls in rural melas/haats, etc. Ex-BPCL introduced specially designed Rural Marketing Vehicle, which moved from villages to villages to fill cylinders on spot.
- **Self-Help Groups (SHGs)** - The SHGs are offered chance to become company's local small scale distributor in the rural areas. The groups, typically of 15 to 20 people, buy a small stock of items such as soap, detergent or shampoo and then sell directly to consumers in their homes. Ex- HLL's Shakti project.
- **Small packages at lower prices** - HLL initiated Operation Bharat to tap rural market by rolling out low priced sample packets of its toothpaste, fairness cream, shampoo, cream and other products. Similarly LPG companies have introduced small sized cylinders ensuring that price remains in the affordable range for its rural consumers.
- **Product promotion by communication** - Since rural areas have limited venues for entertainment, conducting an event in rural areas can bring a good response. Some of the interesting events that can be conducted are Road Shows, Melas, Street Theatre, and Film Shows and so on. Ex- Several Tractor companies like Escort, Mahindra's have successfully employed melas, local communication to get higher sales.
- **Providing schemes, etc.** - It must be remembered that the rural consumer does not have a budget problem. He has a cash flow problem. This is because the village folk receive funds only twice a year. So, in the lean season when there is a cash flow crunch, marketers need to provide financial products, schemes or solutions that suit the needs of the rural population.

IX. CHALLENGES OF RURAL MARKETING

The peculiarities of the rural markets and rural consumers pose challenges to the marketers in reaching them effectively. While making out a case for opportunities that are rapidly developing in rural markets, one should not underestimate the several daunting problems in planning for growth. Due to these problems marketing efforts are constrained in several ways. There are a large number of small villages which are not easily accessible because of all weather roads. Rural consumers are far less homogeneous than urban consumers. The main problems rural marketing is

1. **TRANSPORTATION PROBLEMS** Transportation infrastructure is quite poor in rural India. Nearly 80 percentages of villages in the country are not connected by well-constructed roads. Marketing activities require transportation facilities. Due to poor transportation facilities, farmers and marketers find it difficult to reach markets.
2. **WAREHOUSING** In the rural areas, there are no facilities for public as well as private warehousing. Marketers face problem of storage of their goods.
3. **PACKAGING** It is the first important step of product processing. If the packaging cost is high, it will increase the total cost of products. It is suggested that the marketers should use cheaper materials in packaging for the rural markets. For example, small polypack of refined oil is more popular than in containers of the same product due to its lowest cost. One more important factor is the size package e.g. the size of the package should be small.
4. **MEDIA PROBLEMS** Media have lots of problems in rural areas. Television is a good medium to communicate message to the rural people. But due to non-availability of power, as well as television sets, majority of the rural population cannot get the benefits of various media.
5. **SEASONAL MARKETING** The main problem of rural marketing is seasonal demand in rural areas, because 75 percent of rural income is also seasonal. For example, the demand for consumer goods will be high during the peak crop harvesting period, because this is the time at which the rural people have substantial high cash flow. Rural marketing depends upon the demand of rural people and demand depends upon income and consumer behavior.
6. **LOW PER CAPITA INCOME** Per capita income is lower in rural areas compared to those in urban areas. Again, the distribution of rural income is highly skewed, since the land holding pattern, which is basic asset, it is skewed. Thus the rural population presents a highly heterogeneous spread in the villages.
7. **LOW LEVEL OF ELECTRICITY** The literacy rate is low in rural areas compared to urban areas. This again leads to the problem of communication for promotion purpose. Print medium becomes ineffective and to an

extent irrelevant in rural areas since its reach is poor. Besides, for the purpose of optimally exploiting the opportunities at hand in rural areas, the marketers have to cope up the various challenges before them like educating the rural consumers about the requirements and uses of the products. The marketers should also make the rural consumers understand how their product is different from similar products offered by competitors. According to Sanjay Muthal, Managing Director, Nugrid Consulting, "Trust is another key factor rural consumers are suspicious of urban market thinking. Rural consumers only buy from people they identify with."

X. SUGGESTIONS

1. **DEVELOP NEW PRODUCTS FOR THE RURAL MARKET:** Product redesign from the beginning can be done. Marginal changes to existing product will not work effectively. Product must work in hostile conditions in noise, dust and electricity blackouts etc.
2. **DISTRIBUTION NETWORK:** It should be designed to reach highly dispersed rural markets as compared to highly dense urban markets.
3. **MORE EFFECTIVE COMMUNICATION:** There is a need to find out the appropriate media, which could reach the hearts of the rural masses. This is required as none of the media like television, print; radio etc has absolute reach to the rural masses.
4. **PRICING:** Products can be priced to build up volume in the rural market, especially for smaller pack size SKUs. 5. Marketing Research should be undertaken involving focus groups. Marketers should also build prototypes while strategizing for marketing.

XI. CONCLUSION

The rural market is where the markets of the future are likely to be. Urban markets are becoming increasingly competitive

for many products. In some cases they are even saturated. On the other hand, rural markets offer growth opportunities. Rural market is the market of the new millennium. Marketers will have to understand the rural customers before they can make inroads into the rural markets. The size of the rural market is fast expanding. The rural market is fascinating and challenging at the same time. It offers large scope on account of its sheer size. It is often said that markets are made, not found, this is especially true of the rural market of India. It is a market for the truly creative markets.

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