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Panoramic view of strategies, challenges and opportunities in rural market: A case for market leaders

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Abstract

As per the population census India holds the second rank in the world. A larger part of the population resides in rural areas only. Companies are hence benefitted with such a huge rural market. The leaders of rural market refer to the companies which had entered the rural market in the initial establishment. Rural leaders are taking a more concentrated approach to compete in the rural market. They are modifying their plans and policies according to the changing needs of rural consumers. Rural leaders are succeeding as they are able to overcome the challenges by building mutually beneficial relationships with rural communities; rural leaders are succeeding in their challenges. The traditional selling techniques of goods and services and the efficient work done by the rural leaders will provide them with the opportunity of making more profits. An Exclusive model of sales and the channels of distribution network tailored to rural India's needs could be a key for future development.

To trigger growth in the rural parts, the companies are trying their level best. The companies have classified the point that the rural consumers are now in a good condition with disposable income. The purchasing power of the rural customers has increased due to availability of finance. Marketers must realise the price affordability of a consumer living in a rural region. Therefore, this paper is an effort made to encourage the brand reputation in the rural market.

Keywords: Rural Market, Rural leaders, rural consumption, Strategies, Rural marketing.

Introduction

Rural market influence has been growing faster than urban market, along with the alterations in the income and priorities of the consumers of the rural area. The term "Urban area", according to Census 1961 of India, can be defined as:

1. All areas with a Cantonment, or Municipality Corporation or Notified Town Area.
2. All other areas which satisfied the following conditions:
 - i. At least a population of 5,000.
 - ii. The male working population was minimum 75% and were not in the agricultural segment.
 - iii. A mass of population of Minimum 400 sq. Km (i.e. 1000 per sq. Mile).

The terminology "Rural Area" may be defined as the area which is not covered under urban areas.

Table 1. Indian Population & Literacy Rate

Indian Population (%)	2001	2011	Difference
India	102.9	121.0	+18.1
Rural	74.3	83.3	+9.0
Urban	28.6	37.7	+9.1
Literacy Rate (%)	2001	2011	Difference
India	64.8	74.0	+9.2
Rural	58.7	68.9	+10.2
Urban	79.9	85.0	+5.1

Source: Census of India 2011

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- The improvement in literacy rate in rural area is two times than in urban areas.
- The urban-rural literacy difference was 21.2% in 2001 has come down to 16.1% in 2011.

Census 2011^[5] of India revealed that the percentage of the total Indian population living in rural areas is 68.8%, whereas, the percentage increases in literacy rate is twice in rural regions in comparison to urban areas (table 1). As literacy brings awareness, the level of literacy rate should be higher to bring in an increase and make it simpler to penetrate into the rural parts. Various programs which are run by the government for creating employment, including increase in the prices of agricultural outcomes, improvement in the infrastructure, leads to higher incomes generation of the rural consumers. This revealed that Indian population includes a huge number of potential customers who live in the rural areas and can make any firm profitable. As for this, Multi-National Companies (MNCs) and the Indian Companies are trying to cross the threshold into the Indian rural market. All these things directly show that there is a great potential in the rural market. Rural market is still the most price sensitive section, in spite of all this. The ultimate impact on the productivity of the company would be severe due to lack of proper planning and the decisions made relating to the product price, nevertheless the reasons for price sensitivity would be many.

Companies which understood the needs and changing scenario in rural India are getting lucrative returns. These companies are adopting such strategies which will hinge on deep consumer and market insights and this is why these companies are succeeding. The rural leaders are taking more focused approach to compete in the rural markets as competition is intensifying. Rural leaders work according to the heterogeneous rural market because they understand that rural markets are not homogeneous. They are doing a constant research to understand all the diverse extents such as culture, changing habits, economic conditions, taste, and demographic environment. Rural leaders know that rural consumers have specialised needs and preference and that their push strategies will not work in rural markets, so they are making efforts of modifying the value of goods and services according to the rural market's target consumer group.

Rural Marketing

Rural marketing is the method of communicating the price of goods and services to the rural customers to satisfy their demands, in other words, it is a process beginning with a notion to understand the demands of rural consumers and then using different apparatuses and techniques to satisfy those demands.

In the rural market, new participants need to adapt to some creative plans and policies, employ and foster high performing sales team. They also need to adopt novel Strategies and at the same time they need to aim at the right Consumer segment. To attain a good share in the rural market, a good investment in consumer capability related research will be helpful to them.

Literature Review

Nielsen Report (2012) FMCG is growing very extremely. In 2011, the rural FMCG market in India has grown-up to 15% FICCI Technopak Report (2009)^[13] FMCG Industry is estimated to grow by 12% and reach a size of US\$4300 million by 2013 and US\$7400 million by 2018.

The Economic Times:^[4] The flare-up in rural consumption and the increasing competition for the demand of scarce resources that we embrace a new cooperative model of development. All NGOs, stakeholders, civil society, Government and corporate have an important role in empowering this growth while overpowering the related challenges. We can address these challenges by innovative solutions, findings and figure on the opportunities with the right kind of public-private partnerships. Rural market subsidises 55% of overall FMCG consumption in India.

McKinsey Report (2007) In 20 years the rural Indian market will be larger than the total customer's markets, on the rise of a consumer market in India and especially in countries like Canada and South Korea today and nearly four times the size of today's urban Indian market and predicted the size of the rural market at US\$57700 million.

Accenture Report: Rural India interprets for about 70 percent of India's population and nearly 50 percent of India's GDP. Since 2000, per capita Gross Domestic Product (GDP) has grown faster in India's rural area as compared to in its urban area which is 6.2 percent CAGR versus 4.7 percent. Between the years, 2009 and 2012 spending in urban India was US\$ 55 Billion whereas, on the other hand, in rural India it was US\$69 Billion which is 11 percent more than urban spending.

Problems in Rural Markets

- People in villages have issues due to the habits, preferences, traditions and socio-cultural burdens.
- Rural markets are price sensitive. Rural customers are conscious about the price and, therefore, they buy modest and low valued goods.
- In the rural areas the brand loyalty is very narrow.
- Communication problems because of low literacy rate, in correspondence to the marketing information to the rural customer.
- Rural consumers have less knowledge about the organized advertising.
- Another obstacle in rural marketing is that it is difficult to cope and organize an efficient distribution channel.
- It is problematic to consult IMC in rural markets because it incurs high publicising costs.
- Business concerns focus the business towards urban and Semi-Urban markets and hesitate to move in to rural markets which are based on all the above problems.
- Following the Indian tradition, Women, frequently, do not come out from their houses as they are not interested much in shopping with less access.
- Maximum number of families comes under the agriculture class.
- Family income is very low.
- To enter into rural market, product planning is very important for the marketer.
- The purchasing decision of the consumers is also affected by the non-availability of brands.
- Packaging must be strong enough and small to stand through the rough handling because of a low standard of infrastructure amenities.
- The names of the brands should be small, simple, easy to memorise and utter.
- Direct dealers and distributors are not available for channelizing the products.
- Lack of rural physical and financial infrastructure.

- An extensive range of geographical area of rural population.
- Dissimilarity of language: customer to customer, region to region.
- Habits of using traditional products.

Objectives of the Study

- To examine the MNCs those are leaders in Rural India
- To discuss various programmes and approaches of rural market leaders to penetrate into rural India.
- To assess miscellaneous problems of Rural Market.
- To explore the strategies that could be used by rural leaders and new entrants for rural market.

Research Methodology

The research study has a vivid description, which states the Features of what is studied, that is, it describes the state of

dealings as it is or what is happening. With the help of various Journals, Books, and reports, the secondary data was collected.

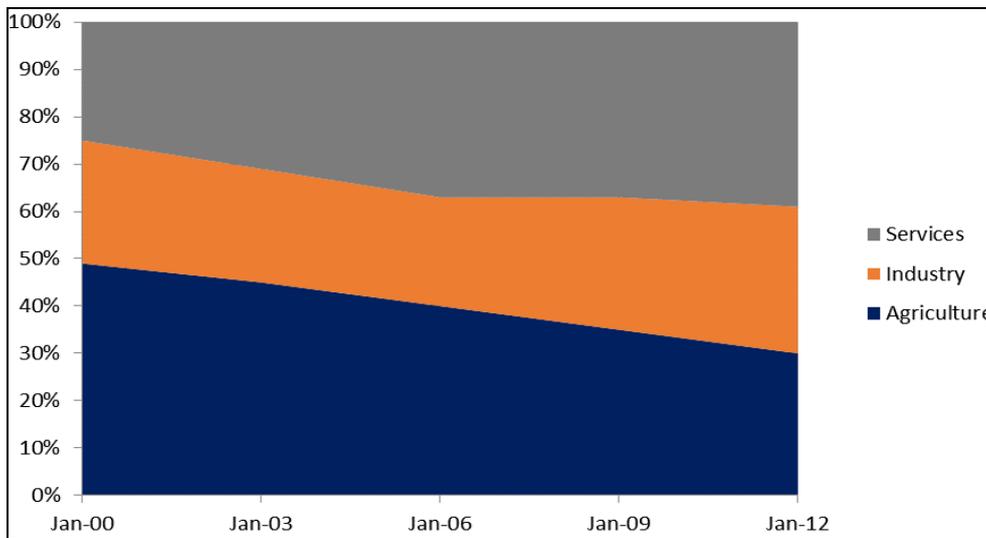
Discussion and Analysis

Companies implementing different programmes and approaches in Rural Market

1. Hero Moto cop: Hero Motor cop follows the system of Multi-layer distribution system. They added legal representative dealers (ARD) to its existing boss and spoke network. The Hero’s new layer helped it in increasing its reach to 20 percent of India’s six lakh villages with more than 5000 touch points.

➤ **Rural consumption attracting Corporate houses**

Composition of GDP in rural markets
Now only one-fourth of GDP in Rural India is generated from Agriculture

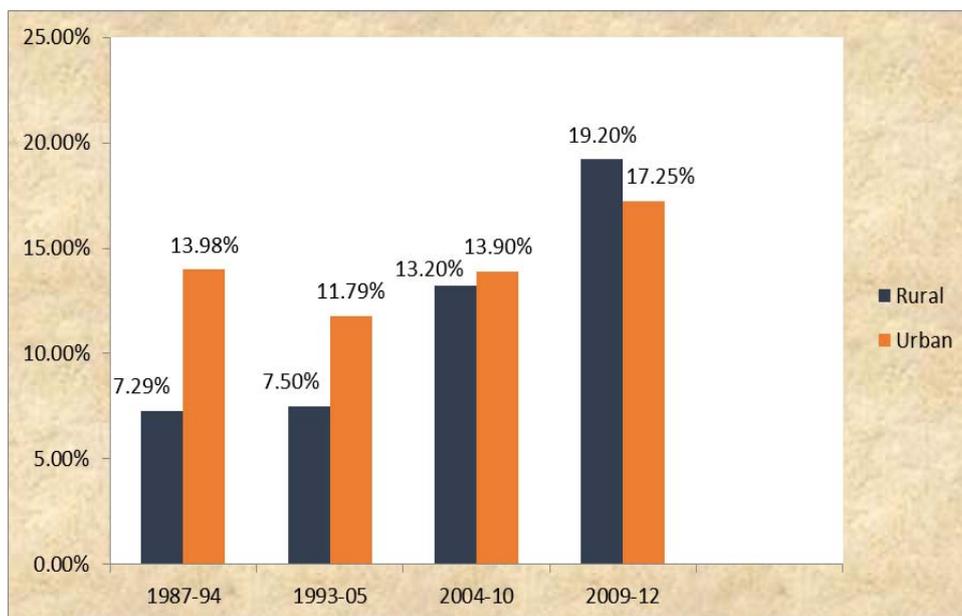


Source: Government of India

- **Rural consumption > urban consumption**
The percentage increase in per capita expenditure in rural

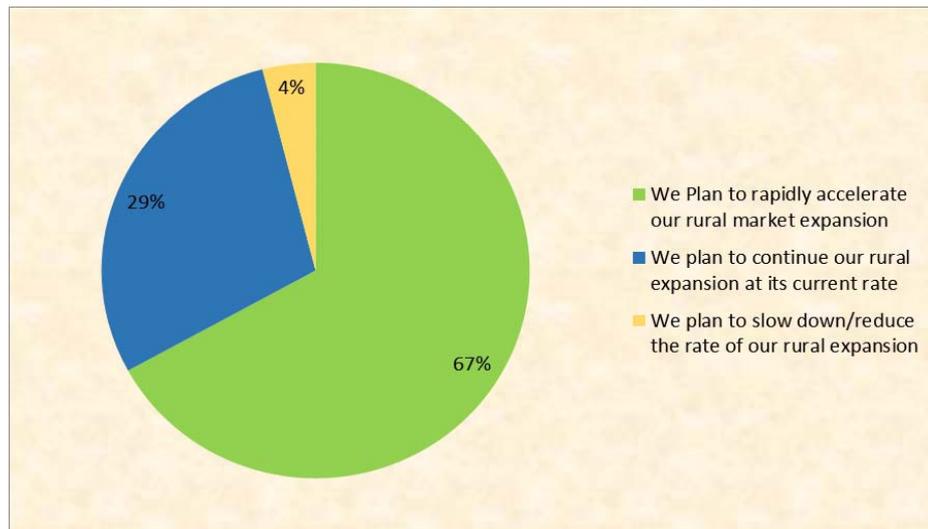
Markets surpassed its urban counterparts during 2009 and 2012, signifying increased consumption in rural markets.

Percentage increase in monthly per capita expenditure-Rural and Urban



Source: NSSO

Companies are looking forward to rural markets potential



Source: Accenture Survey

2. Mahindra Tractors: In 2007, Mahindra Tractors launched Samridhi in association to alter channel partners from mere tractor dealers to real partners for farmers. They provide the farmers with information on weather, agricultural market locations, crops, price, pests, and soil and irrigation water testing facilities and also sell and also maintain tractors and equipment's. The target of Mahindra Tractors is to reach 10 million by 2020 and with this initiative they have helped 150000 farmers through 155 samridhi centres.

3. Dabur India: In 2010, Dabur launched a project named 'Double' to reach every household in rural India. Within a Year and a half, out of 33000 targeted villages with a Population of more than 3000, the project was successful in reaching 24000 villages.

4. Snap deal: Snap deal has planned to reach out to people living in slums, in partnership with FINO Pay Tech. It has also planned to set up at least 5000 e-commerce cubicles across 70,000 rural areas in India. This organisation aims to reach around five to ten crores new customers in the next three respective years.

5. Godrej: Godrej, under their "chotukool" program, trained 7500 post office employees in 3 states.

6. P&G: P&G started up with a new marketing approach by 'Kamyab Jodi', an initiative in the form of a character sangeeta bhabhi a dedicated housewife, comprehended to push P&G's foremost brand, Tide and Head & Shoulder as a twofold proposal.

7. Hindustan Unilever Limited (HUL)

The Domex Toilet Academy which sprang up in November, 2013 has extended upto 850 people in 2013. The programme Aims to build toilets especially in the rural areas and eliminate open defecation through a two-way approach focussing on education about health and hygiene of sanitation and supply of toilets. To bring about an increase in The demand of toilets, it is necessary to educate people about the importance of safe and hygienic sanitation. To meet the needs of the people in the local area, DTA has established a network of local businesspersons who build and sell toilets.

This academy launched a pilot project in a village in Wardha district, Junapani which is situated in Maharashtra and was successful in making it an open defecation free village, with proper sanitation facilities and good education about health and hygiene.

8. Coca-Cola

- Coca-Cola India implemented a localised marketing policy with local brand ambassadors and selling of goods and services in a confined area to reach out to the rural customers.
- The Parivartan Program was launched by Coca-Cola which trains women traders in rural markets. Women are taught to manage shops, customers, finance, stocks, and retailing. The program lasts for around 10 days and the participants also receive a certificate from the company and an insurance of US\$1,882 for any unintended mishappening or premature disability.
- Coca-Cola has invested in cooling infrastructure for rural traders and has also set up low cost solar powered cooler.

9. ITC: ITC proceeds with its distribution with its four layer distribution approaches. It gets it distributed by a mile-traditional distributor van to serve consumers directly. It also uses sub-distributors in definite directions to provide intensive distribution focus by the help of direct reach through two and three wheelers to send activities in villages with high market potential. E-Choupal and Choupal sagars are some more activities which are helpful for consumer activation activities.

Strategies for Rural Leaders and New Entrant

- **Channel relationship:** There is a need of strong, trustworthy and long term relationship with the channel partners in this century of intense competition. By investing time and financial resources and managing these resources in an efficient way, a company must build mutually beneficial relationships with channel partners.
- **Reusable packaging:** Rural consumers find a product more appealing if its Packaging is refilled and reusable. It increases the demands and needs for the product and eventually boosts the company's income.

- **Build loyalty and lasting bonds:** Stakeholders influence and drives consumer behaviour in their desired direction so n combined network of stakeholders should be created. Provide information to the dealers about tax planning, working capital management, to build loyalty and lasting bonds. It is very necessary to build familiar relationships with the channel partners. Make the channel partners a part of the organisation by inviting them to visit their plants and to know how things are working. This in turn will create a trust and feeling of togetherness between them. Apart from various existing mediums of communication still each and every word uttered from the mouth plays an important role in brand building in rural markets. Customers of rural market trust their traders more than any other advertisement so it is very necessary to build up strong relations with these traders.
- **Price can be kept low by small unit packing:** Rural areas don't have the concept of storage but still it is continually a problem of storing. This is the main cause of why pouches are popular in rural areas as they are not only cheap but also occupy less space. They allow customers to test with new goods which they may not have used before. The affordability of products for rural Indian consumers can increase with the help of packaging in rural areas. Therefore, Small packs are increasing at an increasing rate as they initiate dispersion specifically in rural markets and provide convenient usage. An up-gradation from pouches to bottles is not abundantly seen. The revenue generations are enhanced by the small units with mass production.
- **E-Commerce a prime channel of distribution:** E-Commerce is one of the most powerful channels of distribution because it ignores the physical or map barriers. It provides a cost efficient mean to reach out to the customers on time. It provides easy access to rural consumer; therefore, it will be a game changing model for organisations which are working on this model. As per the records of eBay India Census, out of every 10 consumptions and out of every 20 auctions, one is from the rural part of India with almost 1270 rural centres transacting online.
- **Different size for different people:** In every state there are divergent areas where some give us expected returns whereas others never deliver the expected returns. Companies should not use one size fit to all rather they should consider different size for different people for this kind of different area, and also aim at the more potential area. Companies need to understand the different rural consumers and also modify the value of products according to the target consumer group of rural market to gain profits.
- **Reducing cost of distribution:** 'Happiness-on-the-go' is a resourceful work started by Coca-Cola through a movable fountain instrument which is installed on a small van for interior parts where because of unavailability of chilling tools, selling of cold drinks seems to be a tough job. The cost of distribution is reduced because the cost of running these jobs are less.

Conclusions

Basically, capturing the rural market is the process of Forward-Backward Integration. Rural markets offer multinational companies a good growth opportunity. Therefore, the linkage between the MNCs and rural market will give the outcome i.e. the increase in income level, improved standard of living, narrowed gap among producer and rural consumer, augment literacy rate, adoption of modernization, mounting demand, contraction of rural-urban gaps, and developing connectivity and infrastructure which will lead to overcome the problems of rural physical and financial infrastructure like excellent connectivity with urban centres, banking facilities and other financial institutions, recognized market places in villages, warehouse (storage) facilities and lack of transportation facilities: railway system is not stretched well as only few thousands kilometres of new railway track has been laid down after independence, and same thing happened to highways and water ways.

Enhancement in market penetration will help to reach customers in rural sectors. It can help in securing a significant share in rural market. It is required to understand consumer's culture and needs to enter & sustain in rural markets. They should execute such plans and policies which create rural consumer feel closeness, in the celebrity certification use people of their native area whom they see as their ideal. Ongoing research is required by multinational companies to identify with the shifting needs and preferences of changing rural consumers and it is crucial to identify how they buy the products? How rural customers make decisions at every level of purchasing? This will help the enterprises to identify them carefully. A paradigm shift can be made by rural leaders when they provide income generating opportunities in rural India. With the help of several companies industrial skills can built up young service personnel's which can bloom in retail, BPO sector, hospitality services and other service related industries.

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