



Economic Growth with Substantial Increase in Purchasing Power of Rural Communities

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ABSTRACT

In recent years, rural markets have acquired significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. On account of green revolution, the rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely, rural marketing has emerged. Rural marketing is equated with marketing by MNC in rural India.

A great number of studies have shown that yet today approximately 60% of Indian Population lives in Rural Areas. Today, Improvement in living condition and enlargement of rural area is essential for the development of the Indian Economy. According to a study by NCAER(National Council for Applied Economic Research), the number of middle and high-income households in rural India is expected to grow from 130 Million to 172 Million by the end of year 2012 as compared to Urban India that is nearby 71 Million. India is second most populous country in the world. Majority of its population lives in villages & earns their livelihood through farming.

This paper discusses the present scenario of the rural market of India with available opportunities and challenges.

Key words- green revolution, enlargement, marketing strategy

INTRODUCTION



Rural marketing has become a fad to market products in the rural India for the small, medium and big established companies. But it is beyond that. Rural marketing is a process of developing, pricing, promoting and distributing rural specific goods and services leading to exchanges between urban and rural markets which satisfies consumer demand and also achieve organizational objectives. India has perhaps the largest potential rural market in the world.

PRESENT SCENARIO OF RURAL MARKETING

At present the Retail industry in India is accelerating. Though India is still not at an equal pace with other Asian counterparts, Indian is geared to become a major player in the Retail Market. The fact that most of the developed nations are saturated and the developing ones still not prepared, India secures a great position in the international market. Also with a highly diverse demography, India provides immense scope for companies brining in different products targeting different consumers. According to the Global Retail Development Index, India is positioned as the foremost destination for Retail investment and business development. The factor that is presently playing a significant role here is the fact that a large section of Indian population is in the age group of 20-34 with a considerably high purchasing power; this has caused the increase in the demand in the urban market resulting in consistent growth in the Retail business. As the Indian retailing is getting more and more organized various retail formats are emerging to capture the potential of the market.

- Mega Malls
- Multiplexes
- Large and small supermarkets
- Hypermarkets
- Departmental stores are a few formats which flourishing in the both big and small regional markets.

As the major cities have made the present retail scenario pleasant, the future of the Indian Retailing industry lies in the rural regions. And though the metros and other tier 1 cities continue to sustain Retail growth, the buzz has now shifted from these great cities to lesser known ones. As the spending power is no longer limited to metros, every tier 2 city in the country has good market for almost every product or service. Due to this, tier 2 cities like Chandigarh, Coimbatore, Pune, Kolkatta, Ahmedabad, Baroda, Hyderabad, Cochin, Nagpur, Indore, Trivandrum etc. provide a good platform for a brand to enter Indian market.



CHALLENGES IN RURAL MARKETING

DISTRIBUTION AND LOGISTICS

Infrastructure continues to be a challenge in rural India. Moreover, the lack of an efficient distribution network prevents penetration of products/services into rural India. One of the most innovative models in recent times has been the usage of the postal service by mobile operators to penetrate scratch cards to the villages. The Indian Postal Service with 155000 post offices is the largest distribution network in the world, and has all of 120000 outlets in India's villages.

PAYMENT COLLECTION

The majority of the rural population is still unbanked. Clearly, non-cash collection becomes rather unlikely. Cash collections, on the other hand, are messy and difficult to monitor, especially since cash cards or technology-enabled centralized POS (like Suvidha or Itz World) have still not reached rural areas. The time-tested manufacturer-distributor-retailer network has been the only real success so far but setting up such a structure is rarely feasible. Partnering with MFIs comes to mind but often, the MFIs don't cater to the relatively more privileged/affluent segments of the rural economy who are likely to be early adopters.

PRICING

While Sachet pricing may have worked very well for Chik shampoo, the overheads involved in payment collection do not always allow easy execution of sachet pricing. It is easier to collect in larger amounts as every instance of collection and carrying of cash has associated costs. Disposable income, though, isn't always high since the bulk of rural India is agricultural and income cycles in agricultural are very erratic and not as predictable as in the case of us salaried individuals.

SCALING ACROSS GEOGRAPHIES

If India is a land of many cultures, the contrast becomes that much starker in the case of rural India. Setting up operations on a pan-India level presents different types of hurdles in different states ranging from political juggling to downright local factors. Any model where scalability involves scaling on-ground operations (and not merely an increase in downloads) is bound to run into myriad issues as we move from one state to the next. Add to that the greater differences in consumer tastes and behavior across geographies than in the relatively more cosmopolitan urban population.



DEVELOPING INORGANIC SCALE

Developing synthetic scale through partnerships typically results in larger overheads in the rural context. Finding the right partner with reach and presence in villages is difficult to start with. More importantly, there are very few players who are strong on these counts across multiple geographies. Hence, a pan-India rollout typically requires multiple partnerships resulting in higher partner management overheads.

SOCIAL AND CULTURAL CHALLENGES

The cyber café (or kiosk) model has not worked in many parts of rural India due to socio-cultural issues. One of the reasons for the failure of the kiosk model in Kuppam (HP's i-community) was the lack of usage by women which was largely due to their discomfort in going to kiosks run by men.

OPPORTUNITIES IN RURAL MARKETING

UNTAPPED POTENTIAL

It offers a great chance for different branded goods as well as services for large number of customers. It is estimated by HLL that out of 5 lakh villages in India, only 1 lakh has been tapped so far, which goes on to indicate the market potentials of the rural market.

MARKET SIZE AND POTENTIAL

The size of India's rural market is stated as 12.2% of the percentage of the old population this means 12.2% of the world's consumers live in rural India. In India, rural household farm about 72% of total household constitutes a huge market by any standard.

INCREASING INCOME

Different programs undertaken have helped to improve the economic the economic situation of the rural areas. The increase in income is seen in both absolute values as well as in the increase in average number of days of occupation in a year.

ACCESSIBILITY MARKETS

Though the road network has not developed to the best possible extent but a fair amount of development has been made in many regions, making these regions accessible from the urban region and making it easier for supplying products to these regions.

COMPETITION IN URBAN AREAS

The urban market is getting saturated and thus is unable to provide the much needed market to many companies and in search of greener pastures many of these companies are now targeting the rural market.



STRATEGIES FOR RURAL MARKETING

MARKETING STRATEGY

Marketers need to understand the psychology of the rural consumers and then act consequently. Rural marketing involves more exhaustive personal selling efforts compared to urban marketing. Firms should abstain from designing goods for the urban markets and subsequently pushing them in the rural areas. To effectively tap the rural market, a brand must associate it with the same things the rural folks do. This can be done by utilizing the various rural folk media to reach them in their own language and in large numbers so that the brand can be associated with the myriad rituals, celebrations, festivals, "meals", and other activities where they assemble.

DISTRIBUTION STRATEGY

One of the ways could be using company delivery van which can serve two purposes - it can take the products to the customers in every nook and corner of the market, and it also enables the firm to establish direct contact with them, and thereby facilitate sales promotion.

However, only the companies having excellent Infrastructure can adopt this channel. The companies with relatively fewer resources can go in for syndicated distribution where a tie-up between non-competitive marketers can be established to facilitate distribution. Annual "melas" organized are quite popular and provide a very good platform for distribution because people visit them to make several purchases.

According to the Indian Market Research Bureau, around 8000 such melas are held in rural India every year. Rural markets have the practice of fixing specific days in a week as Market Days called "Haats" when exchange of goods and services are carried out. This is another potential low cost distribution channel available to the marketers. Also, every region consisting of several villages is generally served by one satellite town termed as "Mandis" where people prefer to go to buy their durable commodities. If marketing managers use these feeder towns, they will easily be able to cover a large section of the rural population.

PROMOTIONAL STRATEGY

Marketers must be very careful while choosing the mediums to be used for communication. Only 16% of the rural population has access to a vernacular newspaper. So, the audio visuals must be planned to convey a right message to the rural folk. The rich, traditional media forms like folk dances, puppet shows, etc., with which the rural consumers are familiar and comfortable, can be used for high impact product campaigns. Radio is also very popular



source of information and Entertainment, Adds on radio can also be a helpful tool for marketers.

CONCLUSION

Marketers will have to understand the rural customers before they can make inroads in to rural markets. The size of the rural market is past expanding. Arvind mills decision rural market with ruf and tuff brand has met with astounding success. In the first two month demand crossed a million pieces has against a production capacity of 250000 kites. Britannia to venture into basic items such as biscuits, with brand called tiger. This brand is statically gaining market share also creating new markets. LG has ventured into the rural market, selling block and white and TV with great success and hopes to further penetrate the market in the near future with colour television. ITC's e-chaupal initiative to equip the rural farmers, HLL's project shakti to empower rural human consumers through income generation project are some the examples, which have opened new vistas in rural marketing.

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