
Strategic Analysis of Indian Rural Market

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Abstract

India is a country with nearly three-fourth of its consumers in rural areas and one half of the national income is generated in rural market. Rural India has witnessed an increase in the buying power of consumers, accompanied by their desire to upgrade their standard of living in just a short span of time interval. In recent years, rural markets have acquired noticeable significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. Typically, a rural market will represent a community in a rural area with a population of 83.3 crores. Hence, it is proposed to undertake this study to find out various ways to tap the potential rural markets. The main aim of this study is to observe the potentiality of Indian Rural Markets and finding out various strengths, weaknesses, opportunities and threats of rural markets. The most relevant thing is that the rural segment is extremely fragmented & spread out over a large geographical base. The cultural & behavioral differences vary not just from state to state but from village to village.

Keywords- Heterogeneity, Market Potential, Rural Population, Socio- Economic Changes

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Introduction

Rural India with its traditional perception has grown over the years, not only in terms of income, but also in terms of thinking. The rural markets are growing at above two times faster pace than urban markets; not surprisingly, Rural India accounts for 60% of the total national demand. Organizations need to sustain and grow in the market; therefore, they adopted newly marketing trends for retaining the existing customers and targeting new customers to increase the market share. Organizations need to sustain if effective network is available to adopt neo-marketing strategies to tap such markets available in rural and for flung areas where more than 65% population is residing with large untapped consumer potential. These recently developed trends also facilitate the organization to reach the target customers in minimum possible time. An organization selects new marketing trends on the basis of nature and usage of products. Such marketing is a process that involves carefully designing, implementing and controlling formulated strategies to facilitate the exchange of goods and services between organizations and customers. It helps an organization in identifying needs and wants of the customers and delivering products that satisfy those needs and wants.

Significance of the Study

Rural market is getting an importance because of the saturation of the urban market. As due to the competition in the urban market, the market is more or so saturated as most of the capacity of the purchasers has been targeted by the marketers. So the marketers are looking for extending their product categories to an unexplored market i.e. the Rural Market. 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 consumers. The study aims at bringing a holistic understanding of the Rural Markets. Significance of the study also include examining the current market scenario of Indian Rural Market, and providing in-depth-SWOT- analysis of the challenges faced by the marketers while operating in the rural environment, and identify rural marketing opportunities.

Strengths

Increasing Number of Rural Population: Over the past few years rural India has witnessed an increase in the population with much more pace than of urban population and as far as total population size in concern rural population size is more than two times of urban population.

Table1: Population of India (in crores) – Rural vs Urban

| | 1991 | 2001 | 2011 |
|--------------|-------------|-------------|-------------|
| RURAL | 64.1 | 74.3 | 83.3 |
| URBAN | 20.3 | 28.3 | 37.7 |
| TOTAL | 84.1 | 103 | 121 |

Source: Census of India

- For the first time since Independence, the absolute increase in population is more in urban areas than in rural areas.
- Rural-Urban distribution: 68.84% & 31.16%.
- Level of urbanization increased from 27.81% in 2001 Census to 31.16% in 2011 Census.

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- The proportion of rural population declined from 72.19% to 68.84%, but still rural population is a larger segment of total population.
- Improvement in literacy rate of Rural India:

Table: Improvement in literacy rate of Rural India – Rural VS Urban

| | 2001 | 2011 | DIFFERENCE |
|--------------|-------------|-------------|--------------|
| RURAL | 58.7 | 68.9 | +10.2 |
| URBAN | 79.9 | 85.0 | +5.1 |
| TOTAL | 64.8 | 74.0 | +9.2 |

Source: Census of India

The improvement in literacy rate in rural area is two times that in urban areas. Every year 60 lacs is getting added to the literate population of rural India.

Rising Spending Power of Rural Consumers:

Two-thirds of the country's consumers (more than 700 million) live in rural areas and almost 26% of the national Income is generated there and 10 consecutive good monsoons have led to improved returns from agriculture (which is India's largest economic sector and account for 26% of GDP, Increasing the spending power in India's rural areas.

Socio-Economic Changes (lifestyle, habits and tastes, economic status):

"The rural landscape is undergoing a steady but dramatic change. While there is a shift in income sources and consumption patterns by consumers in rural India, equitable growth of all regions of the country remains a challenge," observed Rajesh Shukla, senior fellow, NCAER. The report that set out to map changing earning, saving and consumption pattern throughout the country also projects a widening income gap through the saving potential of consumers at the different segments in the economy.

Increase in expectations of Rural Consumers:

Global research company McKinsey had referred to India as the 'Bird of Gold' in its report titled 'The Bird of Gold: The Rise of India's Consumer Market'. Consumer product makers and analysts now believe that this bird is ready to fly with wings wide spread in the global sky. Rural consumers increasing their appetite for better products and high-standard services.

Weaknesses

Least Developed Infrastructure:

It is not easy to enter into the Rural Market and take a sizeable share of the market within a short period. This is due to the major problems with regard to the transportation, communication and distribution.

Heterogeneity in Rural Consumers:

There are different groups based on religion, caste, education, income and age and there is a need to understand the rural markets in terms of buying behaviour, attitudes, beliefs, and aspirations of people.

Comparatively lower income of Rural Consumers than of the Urban Consumers:

The average households annual Income in India on recent terms having Rs. 65,041 and on rural counterpart having Rs.51,922 which is comparatively lower than the urban counterpart. The per capita income of rural households is about half of the urban households. The poverty ratio is much higher in rural areas as compared to urban areas.

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Difficult to Sell Consumer Durables in Rural Market:

Consumer durables face lots of marketing problems and are not able to penetrate the Rural Market like non-durables. Some of the reasons for this could be:

- Consumer needs more investment for purchase of durables.
- Requires separate retailer for the products.
- Transportation problems due to bulkiness of products.

Opportunities

- After the development of rural infrastructure, contact of rural people can be increased with their urban counterparts due to development of transport and wide communication network. Large inflow of investment for rural development from government and other sources can create huge opportunity for the marketers.
- The increase in the services provided to the rural people (in terms of various services offered) will result in the overall betterment of the society on one side by enriching the people with updated market information and providing latest technological developmental news and organizations on other side by creating more market opportunities for them and adjustment of the market prices.
- 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.
- Rural Market is getting an importance because of the saturation of the urban market. As due to the competition in the urban market, the market is more or so saturated as most of the capacity of the purchasers has been targeted by the marketers. So the marketers are looking for extending their product categories to an unexplored market i.e. the Rural Market. This has also led to the CSR activities being done by the corporate to help the poor people attain some wealth to spend on their product categories.
- Rural India, which accounts for more than 70 per cent of the country's one billion population (according to the Census of India 2001), is not just witnessing an increase in its

income but also in consumption and production. It is in this background that Rural Marketing has emerged as a special marketing strategy.

- The Rural Market has grip of strong country's shops, which affect the sale of various products and services in the rural market. The companies are trying to trigger growth in rural areas. The low rate finance availability can also increased the affordability of purchasing the costly products by the rural people.

Threats

- The Rural marketing environment is complex and is changing continuously. The marketing organization should foresee and adopt strategies to change in requirements in the market. One which doesn't change perishes. An adaptive organization can stand competition or have a modest growth.
- Consumer behavior attitudes personality and mental make ups are unique. The study of behavior is very difficult to evolve marketing mix.
- It is a process of acquiring knowledge about products, product benefits, method of usage and maintenance and also disposal of the products considering low literacy, low awareness, the marketers have to educate the consumers through rural- specific promotion media and methods become tedious task.

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- It is also very difficult to identify distribution partners due to their insufficiency of funds.
- Rapid increase in Grey Market size causing a gigantic threat for marketers to tap Rural Market.

Concluding Remarks

To be concluding, if we try to balance the opportunities and prospects attached to the given Rural Market reforms, it will definitely cause good to Indian economy and consequently to the rural population in India at large. Indian Rural Market play a pivotal role as it provides great opportunities to the corporations to stretch their reach to nearly seventy percent of population. Rural Market also benefits the rural economy by providing infrastructure facilities, uplifting the standard, and quality of life of the people resides in rural area. Though the Rural Market has become a favourite destination for every marketers but it's important to realize that it has lot of challenges and risk, therefore corporations should assess the obstructions as attentively as possible. The market share of urban market when compared to the rural market is low, hence if Indian industries concentrate on Rural Markets their sales will increase. If Rural Markets are brought into the limelight of development, they pave way to prosperity. Prosperity of India lies in the prosperity of every Indian, hence no rural segment should be left untapped.

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