
PROBLEMS OF RURAL MARKET AND STRATEGIES FOR DEVELOPING THE RURAL MARKET

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ABSTRACT: Problems of Rural markets and other related topics are burning topics today. In this present scenario every market player is keen to invest in rural market. This is because of the fact that in India rural markets have a high growth rate and the tendency of rural people is getting changed now they are also willing to have change in their living style. But the expected problems in rural market sometimes stop them to enter in the market. Such problems can be handled with the help of appropriate strategies. This is the reason that business firms plan huge investments focused on Rural Markets, as part of their growth strategy but they don't get the expected results. It is because of the reason that merely an Investment cannot be the true depiction of the rural economy a due care should be given to address the other related problems. The rural markets can only be developed if the financial, structural, economic and social aspects/Problems are addressed in a holistic manner. This article will focus on problems of rural market and various strategies to be adopted to develop the rural market as a whole.

INTRODUCTION

It is a well known fact that the rural market does offer a vast untapped potential. It should also be recognized that it is not that much easy to operate in this market because of several attendant problems. Rural marketing is not only time consuming but also requires considerable investments in terms of efforts in evolving appropriate strategies with a view to tackle the problems. First of all we should know what exactly the rural market is?

WHAT EXACTLY RURAL MARKET IS?

According to census of India classification, a place is considered rural, if

1. The population of that particular area is not more than 5000.
2. The population density is not more than 500 per sq. km.
3. About 75% or 80% of total population is engaged in agriculture or related occupations.

In India according to the 2011 census, 71% of the population resides in rural areas, whereas only 29% of the population lives in urban areas. This clearly implies that the vast majority of Indian population continues to reside in small villages or hamlets with less than 5000 population.

The major problems faced by manufacturers and marketers in rural areas are as follows:

1. Underdeveloped People and Underdeveloped Market :

Agricultural technology has tried to develop the people and market in rural areas. Unfortunately, the impact of the technology has not been felt uniformly throughout the country. In a few pockets of some districts in Punjab, Haryana and Western Uttar Pradesh, a rural consumer may be comparable to his urban counterpart, but there are large areas and groups of people who have remained untouched by technological

worth the name has percolated to drought proof these districts and increase the standard of living of the people there. In addition, the farmers with small agricultural land holdings have also not been able to take advantage of the new technology. The number of people below poverty line has not decreased in any appreciable manner. Thus, the rural markets, by and large, are characterized by underdeveloped people and consequently an underdeveloped market. A vast majority of rural people is not financially stable and is tradition-bound, fatalistic, mired in age-old customs, traditions, habits, taboos and practices.

2. Lack of Proper Physical Communication Facilities

Nearly half of the villages in the country do not have all-weather road. Therefore, reaching these villages is very physically taxing, even today; many villages in eastern part of the country are inaccessible during monsoons. Hence, the distribution efforts put in by a manufacturer prove expensive and sometimes ineffective. To be effective, the products have to be physically moved to places of consumption or places of purchase. However, there seems to be a ray of hope. The Pradhan Mantri Gram Sadak Yojana promises to connect all the villages with 500 persons and above in plains and 250 persons and above hill areas by all-weather roads in near future. This would considerably ease the distribution logistics for the marketers.

3. Media for Rural Communication

Among the mass media, radio was considered to be a good potential medium for communication to the rural people in the last 50s early 60s. A large number of rural families in prosperous areas owned radios and community radio sets were also present. At present, radio programmers are being extensively used to diffuse agricultural technology to rural areas.

The advent and expansion of telecast network, appears to be offering another potential medium for rural communication with rural masses. However, the question is that how many rural actually have access to television viewing? Therefore, there is a need to examine the ownership pattern of television sets in rural areas to judge the potential reach of this medium. Some surveys indicate that secondary viewing of television is widely prevalent in rural areas. In other words, though lots of rural persons do not own a television, they view it in other's homes.

Another mass media is cinema. It has also been observed that wherever available, the habit of viewing cinema is fairly satisfactory in rural areas. Again, statistics indicate that the rural areas account for hardly 2000 mobile theatres, which is far less than the number of villages. Under such circumstances, a company is forced to use its own promotional vans. However, companies like Hindustan Unilever Limited, which use such vans, have found it to be very expensive in as much as the per viewer cost in urban areas. In addition, the wear and tear on such promotion vans is also high due to the bad road in rural areas. Here again, a few companies like Video-on-Wheels, Sampark Marketing and Advertising Solutions and Video Express specialize in rural van promotion and this can be taken advantage of by marketers.

With all these disadvantages, it has to be recognized that communication is a must to motivate rural people. Today marketers can also take advantages of television specializing in regional languages. Though one is tempted to totally rule out the print media because of low rural literacy and poor reach of newspapers and journals like weeklies and monthlies in rural areas, there are always exceptions like to states of Kerala and Tamil Nadu, where high literacy is an enabling factor.

4. Many Languages and Dialects

Even on assuming that media are available for communication or the company commissions its own media vans or hires them from professional operators, the next roadblock is intelligibility of programmers across a broad spectrum of the rural population. The number of languages and dialects varies widely from state to state, region and probably from district and district. Messages have got to be delivered in the local languages in India is only 22 , the number of dialects is estimated to be around 850. Multi-dialect dubbing in audio-visual presentations is a viable solution, but again, cost is a crucial factor.

5. *Vastness and Uneven Spread*

The number of villagers in India is more than five lakh. Also, the villages are not uniform in size. Nearly 60 percent of the villages have a population of less than 1000 persons, which accounts for 26 percent of the rural population, lives in 'medium sized' villages which have a population ranging from 1000 to 5000 persons. Only 18 percent of population lives in villages with a population of 5000 persons and above. Hence, one can only think of tacking about two lakh villages, which can be considered as medium and large villagers with adequate potential. This type of distribution of population warrants appropriate distribution and promotion strategies to decide the extent of coverage of rural market.

6. *Low per Capita Incomes*

Even though about 30 percent of the GDP is generated in rural areas, it is shared by 72 percent of the population. Hence, the per capita incomes are low as compared to urban areas. Low per capita incomes lead to low purchasing power. This apart, the distribution of income is highly skewed, since the landholding pattern, which is the basic asset, is itself skewed. Thus, the rural population presents a highly heterogeneous scene. Therefore a few questions arise in this context. Given the low per capita incomes and the population spread in the village shop? If a company opts to distribute the products up to village shop level, what should be the frequency of distribution? These aspects require very careful consideration while evolving distribution strategies for rural markets.

7. *Logistics, Storage, Handling and Transport*

Organizing a distribution set up poses a number of questions because of the widespread nature and varying sizes of villagers. Are the good storage facilities available in rural areas? It has already been seen that the transport facility is generally poor in these areas. A leading company, which distributes its consumable products in rural areas, had used bullock carts and camel backs for physical transportation of goods to inaccessible areas. In some villages there may not be even a shop from where the products can be made available to a rural consumer.

8. *Market Organization and Staff*

The size of the market organization and staff strength is very important in order to retain effective control. Relatively speaking, catering to rural markets involves larger marketing organization and staff, how many manufacturers and marketers can afford such huge investments in terms of personal and also keep an effective control on them, is a question that needs close examination.

9. *Product Positioning*

In a highly heterogeneous market, product positioning becomes very difficult. Alternatively, the product range should be very large. However, a large product range will give rise to distribution problems. A typical example is that of cigarette companies, which have numerous brands to suit the different income segments of both rural and urban population. For a product like, say tractors, the positioning becomes fairly easy since it is meant for progressive farmers with good irrigation facilities and having at least 20-25 acres of

land. However, a consumable input like fertilizers is required by all farmers in varying quantities, irrespective of the area of operation. This obviously leads to the question of size of packing. Here again, the example of a consumable product like tea is interesting. Even the very large tea companies like erstwhile Brooke Bond or Lipton had tea packets priced from 25/50 paise onwards so that all segments of population of population are taken care of. The very product positioning limits the market only to such segment of farmers. While positioning is possible in the case of durables, positioning of consumables poses problems. So, this might warrant designing new products or modifying the existing products to suit the rural expectations, conditions, habits, needs and purchasing power.

10. Hierarchy of Markets

As seen earlier, the rural consumers have identified market places for different items of their requirements. So, there cannot be a uniform distribution policy for all products. It has been seen that 90 percent of the farmers visited the nearest town, where an agricultural produce assembling market is situated, at least once in three months, for either selling the produce assembling market is situated, at least once in three months, for either selling the produce or for purchasing habits of rural people, distribution network for different commodities needs to be different.

11. Low Levels of Literacy

The literacy rate is low in rural areas as compared to urban areas and this leads to the problem of communication for promotional purposes. With low literacy rates, print medium becomes ineffective and to an extent irrelevant since its reach poor. Therefore, the dependence should be more on electronic media-cinema, radio and television. While the access to cinema and radio appears to be fairly easy and common, it is not so in the case of television. In addition, television advertising, the problems and advantages in operating company owned media vans have already been discussed. As mentioned earlier, it may be prudent to use professional promotion van operators, who specialize in mobile rural advertising. Companies like HMT, Karnataka Soaps and Detergents Ltd., and others have already adopted the concept of hires rural promotion vans. Most of the fertilizer companies operate their own mobile promotion vans. Recently, Colgate-Palmolive has also commissioned vans in collaboration with distributions. Many companies are resorting to the promotion of their product along with distribution by vans.

12. Seasonal Demand

The distribution of any product in the rural areas either agricultural inputs, consumables, or durables, should necessarily follow a seasonal pattern. Since 75 percent of rural income is generated through agricultural perorations which are seasonal, the demand pattern is also seasonal. A typical example is that of fertilizers. The fertilizer manufacturers have evolved a distribution pattern, so that the seasonal demand can be met. Likewise, the demand for consumables and durables is during the peak crop harvesting and marketing seasons. The is the time at which the rural people have substantial cash inflows. Hence, the distribution should be fairly intensive during this season. The arrangement would result in adequate sales realization. During summer, the demand will be minimal is has to be geared to meet the seasonal pattern of demand will be fairly intensive during this season. This arrangement would result in adequate sales realizations. During summer, the demand will be minimal in places that lack irrigation facilities. Thus, the distribution system has to be geared to meet the seasonal pattern the demand. In addition, festival seasons like Sankaranthi and Pongal in southern regions as opposed to Baisakhi or Deepavali in North are also demand seasons. These festivals coincide with harvest seasons like Sankaranthi during Kharif harvest and Baisakhi during Rabi harvest. So the distribution for rural areas should be more and frequent during these seasons as opposed to a fairly uniform demand pattern in urban areas.

STRATEGY FOR DEVELOPING THE RURAL MARKETS

From the above mentioned reality it seems that rural areas can only be developed if the financial, structural, economic and social aspects are addressed in a holistic manner. This is possible if these areas are supported by adequate funds, equipment, infrastructure and education.

It means strategy made for grasping the rural market should be based on the basic fundamental requirement. And more importantly is the role of the corporate sector in the development of rural areas. Government should make policy so that a wider participation of the corporate world can be expected in this direction. It will serve three important purposes.

First

It will ensure their participation in national development.

Second

The latent benefit is that these areas will prove to be potential markets for their goods and services.

Third

This would also enhance their goodwill and image among the people.

This has been readily understood by organizations operating in some of the other developing countries. They have aligned their business interests with the development of the local community. Thailand is the best example where following the monarch's concept of development; multinationals like Intel and Microsoft have taken over the initiative of imparting education, while Nike, Coca-Cola and Pepsi have focused on developing sports and music amongst the youth.

In India some business houses like Reliance and ITC have taken the initiative to empower the people in rural areas. As Panchayat Raj Minister Mani Shankar Aiyar says, "A partnership between Indian industry and panchayats can be a major step towards its development." Reliance is purchasing fruits and vegetables directly from the farmers for its retail venture, thus eliminating the intermediaries and leading to better returns for the farmers. Similarly, Hindustan Unilever Ltd (HUL) came up with Projectg Shakti focusing on employing rural women for distributing its products in remote areas. This has provided employment as well as additional income of around Rs. 1500 per month for a large number of rural women. ITC has set up e-Choupals which help the company to purchase agricultural produce directly from the farmers and also to apply information technology to enable farmers to get better returns for their produce. And the farmers have shown keen interest in this program. This shows the direction of change in rural areas and the keenness of rural people to align with the mainstream society.

However, committed attempts on a much wider scale are required if such initiatives have to result in perceptible impact. Firstly, rural Business Hubs need to be established in nodal centers across the country from where the trade with the rural areas could be facilitated.

Secondly, leading IT and BPO companies have to take the initiative to infuse technological knowledge among the rural folk which can also serve as committed manpower for their organizations. The philanthropic arms of Infosys and Wipro for example, have already taken significant steps in this direction.

Thirdly, corporate should come forward and adopt villages and work for their development. Leading business houses like the Tatas and Reliance have begun this trend, which has to be spread further.

Fourthly, corporates should come forward and set up educational institutions in rural areas and should contribute towards educating the rural youth. Several studies have clearly established the positive correlation among literacy, income and household consumption. Such an initiative would therefore serve the interests of the corporate as well.

Finally, tie ups with local panchayat bodies could serve as a link between the industry and the villages so that better direct contact can be established.

CONCLUSION

Thus, it is quite clear that the picture of rural market can be changed if we put out honest effort to strengthen the financial, structural, economic and social aspect. Rural India is problem-ridden, but this is one of the phases of the growth process. Every developing country has to pass through the same, as stated by F W Riggs in his Prismatic System Model. Thus, India should move ahead with development programs, but supplement the same with support from the private sector. This would lead to more equitable and inclusive development.

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