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## *Market–Driven Innovations in Indian Rural Market*

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*Abstract: While introducing a new and innovative product in the rural market, it is important to conduct a proper rural market research and must ensure that the product, its features and design suits the rural customers' requirements. Mostly all Fast Moving Consumer Goods (FMCG) companies in India are introducing customized products especially for rural areas. Thus the market of FMCG products in rural markets is growing at a fast pace, even faster than that in the urban markets.*

*Keywords: Rural Marketing, Innovations for Rural Market, FMCG Products, Corporate Initiatives.*

### I. INTRODUCTION

Indian rural market is attracting importance day by day, mainly because of the huge population and their gradually increasing purchasing power. Before launching a innovative product in the rural market, it is important to conduct a proper market research to ensure that the product, its features and design suits the rural customer's requirements. Mostly Fast Moving Consumer Goods (FMCG) companies in India are introducing customized products especially for rural areas. Thus the sale of FMCG products in rural markets is growing at a fast pace, even faster than that in the urban markets.

The economy of India has a huge untapped rural market for better products/services because India has large rural population. Many multinational companies are keen to enter into Indian market because of the demand for new products/services by the Indian rural populations, accompanied with workforce or labour support for production and marketing. The Indian rural market is influenced by various sociological and behavioural aspects. India's rural population accounts for around 70% of the total population.

### II. OBJECTIVE OF THE STUDY

1. To assess the problems being faced in rural market and challenges of Indian Rural Marketing.
2. To explore and determine the Company Initiatives and Innovations to overcome Challenges of Rural Marketing in India.

### III. RESEARCH METHODOLOGY

1. Researcher has extensively relied on secondary sources of data and collected through newspaper articles, company's websites and Annual Reports etc,
2. Research is limited to Indian rural market only.

**IV. COMPARISON OF RURAL AND URBAN MARKET OF INDIA**

According to the Census of India, villages with clear surveyed boundaries not having a municipality, corporation or board, with density of population not more than 400 Sq. Km. and with at least 75 percent of the male working population engaged in agriculture and allied activities would qualify as rural. According to this definition, there are 5,85,764 villages in the country. Of these, only 0.5 percent have a population above 10,000, and 2 per cent have a population between 200 and 1000, and another 18% has a population less than 200.

Surprisingly for FMCG companies and consumer durable companies, any territory which has population of 20000 to 99,999 is rural market, so for them it is not rural India which is rural. According to them it is the class-II and class-III towns that are rural.

According to data from the Census 2011, cities and towns can be broadly classified as:

- |    |                                    |
|----|------------------------------------|
| 1. | Class I: 100,000 and above         |
| 2. | Class II: 50,000 to 100,000 people |
| 3. | Class III: 20,000 to 49,999        |
| 4. | Class IV: 10,000 to 19,999         |
| 5. | Class V: 5,000 to 9,999            |
| 6. | Class VI: Less than 5,000 persons  |

According to the 2011 census, there are 4,378 towns and cities in India. Of these 35 are metropolitan cities (population of 1 million plus) that are included in the total of 393 Class I cities with population exceeding 1,00,000. Together they account for 108 million of the urban population of 285 million. The rest live in towns with population of less than 100,000 going down to just 5,000. While urban India as a whole faces huge problems, particularly of infrastructure, to support a burgeoning population, the worse-off are these 4,738 urban centres that have to contend with the absence of basic services, inadequate new investment and entrenched poverty.

**Features of the Indian Rural Market**

- Large and diverse market
- Major source of income is Agriculture
- Traditional outlook
- Diverse socio-economic background
- Change in standard of living

Rural population of India has a low literacy rate, low per capita income and thus low savings. Many of the rural people's standards of living are below the poverty line and they are also socially backward. There is, however, a change for the better on these fronts as a result of reduced tax structures, Government subsidies and favourable regulations on pricing of farmers produce. Thus, their disposable income is increasing slowly.

**Challenges and Opportunities of Rural Marketing in India**

Latest data from the NSSO's 66th round of survey on household consumption expenditure has also revealed that the difference between the spending patterns of the urban and rural poor have narrowed down over the last two years with average spending by a rural household in 2009-10 at Rs 1,053.64 and urban households at Rs 1,984.46. Crisil, in its report, has pointed to a marked shift in spending on discretionary goods by rural households as against only necessities. The report states that more than half of India's stock of consumer durables and two-wheelers are now in rural India. "Rural consumption has outstripped urban consumption as a result of the government's strategy of inclusive growth, through programmes like MGNREGA ... The rise in prices of agricultural commodities as well as loan waiver scheme and stimulus packages benefited rural households," said

N R Bhanu Murthy, professor at National Institute of Public Finance and Policy, adding that the economic slowdown impacted urban incomes more than rural incomes. In addition to the consumption trends, the market potential of the rural market is considered to be the driver of the future growth by a number of companies.

The market size for the fast-moving consumer goods (FMCG) in the rural markets in India is estimated to be Rs. 6,500 billion; consumer durables at Rs. 500 billion, agricultural inputs (including tractors) at Rs. 4500 billion, and automobiles (two-wheelers and four-wheelers) at Rs. 800 billion, totalling to Rs 12,300 billion.

Although rural markets offer immense potential, marketers need to recognize the fact that there are considerable differences in many respects, including the nature, characteristics buying patterns, and behaviour of rural consumers, when compared with their urban counterparts.

While the urban economy thrives mainly on secondary and tertiary activities such as manufacturing and services, the rural economy is driven mainly by primary activities such as agriculture, fishing, and forestry. The consumer demand and consumption patterns also differ across rural and urban areas. In India, for example, electricity reaches only 57.6% of the rural population and, therefore, the market for household and other electrical equipment such as televisions and fans is also restricted. Similarly, there are also differences in rural literacy and education levels; in India the rural and urban literacy levels are 58.7% and 79.9% respectively. Pattern of income levels in rural markets is yet another differentiating factor that affects the buying power and consumption behavior of rural consumers. About 80% of the rural households in India, for instance, have a monthly income of less than Rs.3000. In addition, the dispersed nature of the population, the inadequacy of physical infrastructure like roads, the weak banking system, limited availability of credit facilities, and problems of storage infrastructure are additional challenges for marketers. These challenges need innovative solutions.

#### **Company Initiatives and Innovations in Rural Market of India**

**ITC is setting up e-Choupals.** It offers the farmers all the information, products and services they need to enhance farm productivity, improve farm-gate price realization and cut transaction costs. Farmers can access latest local and global information on weather, scientific farming practices as well as market prices at the village itself through this web portal - all in Hindi. It also facilitates supply of high quality farm inputs as well as purchase of commodities at their doorstep.

**Shakti is HLL's rural initiative.** It seeks to empower underprivileged women of villages with populations of 2000 or less by providing income-generating opportunities, health and hygiene education through the Shakti-Vani program, and creating access to relevant information through the i-Shakti community portal. Shakti is a pioneering effort from the private sector in creating livelihoods for rural women. Started in 2001, Shakti has already been extended to about 50,000 villages in 12 states – Andhra Pradesh, Karnataka, Gujarat, Madhya Pradesh, Tamil Nadu, Chhattisgarh, Uttar Pradesh, Orissa, Punjab, Rajasthan, Maharashtra and West Bengal (respective state governments and several NGOs are also actively involved in the initiative). For HLL, it is "enlightened self-interest"—creating opportunities to increase the rural family income; putting more money in their (rural people) hands to purchase the range of daily consumption products—from soaps to toothpastes—that HLL makes. It also enables HLL to access hitherto unexplored rural hinterlands. (Kamath, 2003).

**Maruti** has been organizing road shows with film screenings. This is much like a travelling cinema that rural India is already quite familiar and fascinated with. The only difference being that the film is not set up in a tent, but inside a TATA truck fitted a Samsung LCD TV, an air conditioner and reclining seats. The film strikes a chord with the villagers because it tells a simple story of an average villager who buys a Wagon R after being persuaded by a friend who also bought a Wagon R.

**Gaon Chalo by Tata Tea**". Gaon Chalo" is a distinctive rural marketing initiative started in the year 2006 in Uttar Pradesh by Tata Tea. For penetrating the rural market, the company partnered with NGOs with wide reach among Uttar Pradesh's rural masses. The "Gaon Chalo project has created employment opportunities to the youth of villages and small towns. It has brought

steady income to those who are distributors of Tata Tea. Tata Tea's consolidated market shares from rural areas rose from 18% to 26.6%.

**Nokia's Low-Cost Handsets.** According to marketers, rural India has a huge progressive customer base for mobiles. As most rural consumers are price-sensitive, Nokia has launched seven handsets in the price range of Rs. 1500 to Rs. 5500 targeting rural customers. Further, Nokia is promoting a subscription-based service called "Life Tools" which provides information about agriculture and education that is helpful to rural people. It also provides entertainment services. The "Life Tools" service is priced between Rs.30 to Rs. 60 per month, based on the package an individual opt for.

**Dabur- Indian Oil Partnership.** In order to tap India's rural market, Dabur India Ltd. Has tied up with Indian Oil Corporation (IOC). According to the agreement between the two companies, IOC's retail outlets all over the country will stock and sell Dabur's products consisting of healthcare, oral care, personal wash, skin care and home care products. The Kisan Seva Kendra is a one-stop rural retail outlet of IOC, which offers fuel and non-fuel products like fertilizers, grocery, tools used for cultivation, seeds, personal care products, auto spares, etc. There are 1600 such IOC outlets across India.

**Airtel's Telecom Revolution in Rural India.** Airtel's rural start up package offers its customers a Motorola handset for just Rs. 1599. Its recharge cards come in a minimum denomination of Rs.10, so that even daily wage earners can afford to use the service, Airtel is spreading awareness in villages by its roadside advertisements highlighting its red and white logo. It is also increasing its business network through commission-based retailers, who can be anyone who is selling cigarette, paan, textiles, etc. The company already has 55000 retailers in Bihar and Jharkhand, and is planning to expand the network by approaching 5000 more cigarettes and pan sellers.

**Mahindra-Leading Brand in Rural India.** After launching its Super Turbo 595 DI Tractor, Mahindra wanted to create awareness about its new technology and high efficiency to farmers and thereby sell the tractor. It, therefore, identified opinion leaders and progressive farmers and organized interactive discussions between the company (Mahindra) and its target audience (farmers and opinion leaders). It gave free test rides and thereby sold the tractor initially to opinion leaders. This marketing activity was carried out in Maharashtra, Haryana and Punjab. After using the tractor for a reasonable time period, the initial buyers were glad to have the product and expressed their positive word-of-mouth about the tractor to their friends, relatives and neighbours. This initiative has helped the company to a great extent.

Late Dr C K Prahalad has rightly said that if we stop thinking of the poor as victims or as a burden and start recognising them as value-conscious consumers, a whole new world of opportunity will open up. He suggests that four billion poor can be the engine of the next round of global trade and prosperity, and can be a source of innovations in Indian rural market.

## V. LIMITATIONS OF THE STUDY

The present study is based on secondary data and has limitations of authenticity and quantum of data. Study is explorative in nature and there is further scope for detailed study i.e. company wise study with its success, challenges and failure rate.

## VI. CONCLUSION

The key challenge that companies face in the rural market is to identify and offer appropriate products without hurting the company's profitability or margins. Companies should recognize that rural consumers are quite discerning about their choices and customize products and services accordingly. Product awareness campaigns and advertising communications too need to be designed and executed keeping in tune with the context. The products should not only be made available at the right time and at the right place but should also be affordable and acceptable to the rural people.

Rural markets consisting of 70% of the total Indian population with thin density and inadequate infrastructure with low per household income poses unique challenges to marketers and calls for innovative marketing solutions.

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