iJRASET
International Journal For Research in Applied Science and Engineering Technology

INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Volume: 10 **Issue:** X **Month of publication:** October 2022

DOI: https://doi.org/10.22214/ijraset.2022.46966

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International Journal for Research in Applied Science & Engineering Technology (IJRASET)
ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Volume 10 Issue X Oct 2022- Available at www.ijraset.com

Innovation in Rural Marketing

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Abstract: The aim of this research is to study the current scenario of Rural Marketing in India, the rural market presents with its various opportunities and challenges, given how diversely populated the rural consumers in India are. The rural market consists of 83.3 crore people and this is what attracts marketers to enter in this market. To market in the territory of rural marketing cqorporations must understand the rural consumer. There is a shift incoming from urban to the rural marketing as the development and levels of literacy and awareness among the rural consumers is rising and these consumers want value for their money. Marketers when catering to rural consumers need to connect with them and also undertake demonstrations for the better understanding of the rural people. Many innovations in the strategy to market into the rural markets have been undertaken in the past years. This paper aims to understand these innovations and strategies and to understand the rural consumer of India. The future of rural marketing and the development in rural areas is promising in development of rural economies and for the people living in these rural areas a better life.
Key Words: Rural market, Importance, Challenges and Opportunities.

I. INTRODUCTION

From the strict marketing point of view, the market structure in India is dichotomous having rural and urban markets. But many do not concur with this view as they contend that consumer everywhere is a consumer and hence their needs, aspirations, beliefs and attitudes will also be the same. The fact, however, remains that there are certain unique characteristic features which call for separate marketing strategies to be distinctively developed to suit the rural and urban market behavior. Conditions existing in urban markets at present can also be analyzed in this context. First, the urban markets have almost reached a saturation level that further tapping them with a high profit margin has become difficult. Secondly, competition is becoming tough in urban markets compelling many firms to incur heavy costs in promotional expenditure. Thirdly, the awareness level of urban consumers is high and hence product features have to be changed often. Needless to say this process needs a huge investment which will have a negative impact on profitability. Thus, except perhaps for easy reach the urban markets have become as oasis. The concept of Rural Marketing in India Economy has always played an influential role in the lives of people. In India, leaving out a few metropolitan cities, all the districts and industrial townships are connected with rural markets.

Management Guru Mr.C.K Pralhad's thought – fortune lies at the bottom of the pyramid is very true when it comes to exploring the rural markets and grabbing an opportunity to expand the market. The FMCG sector in India is the fourth largest in the economy, with a market size of over Rs 110,000 crore (around $22 billion) and is estimated to grow to over Rs 185,000 crore (around $37 billion) by 2014. None of the FMCG companies present in India would like to miss this opportunity. Rural markets offer immense growth opportunities like untapped market, large population, first mover advantage, huge scope for penetration etc, at the same time these markets poses some challenges also. Rural markets are an important and growing market.

The two main functions of an organisation are marketing and innovation, says renowned management expert Peter Ducker. Rural markets provide enormous promise for marketers, but they also present a number of difficulties when trying to reach them using the same marketing mix as in metropolitan environments.

The primary difficulties facing rural marketing are:

1) Physical apportionment
2) Channel administration
3) Promotion and dialogue
4) Inadequate Infrastructure
5) Insufficient market size
6) A varied consumer socioeconomic profile

In light of this market climate, marketers must develop innovative ways to succeed in rural areas. The quality of the service (delivery) and cost are negatively impacted by the issues with physical distribution and channel management. The success of a brand is heavily dependent on the village shopkeepers because there are few or no direct communication channels for exchanging information with rural consumers. Rural marketers have therefore felt a strong need to get over the current barriers that exist across business stages generally and distribution specifically, of which retailing is the final stage.

Marketing today has completely transformed the nature and dynamics of business. This can be attributed to the fact that the new-age consumer equipped with the Potent tool of information seeks more knowledge about the product, its features and its uses. Customer today indeed is the "King". He can make or break the company. Most 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 Indian rural market is influenced by various sociological and behavioral aspects. India's rural population accounts for around 70% of the total population. rural marketing in India: The definition of the word „rural‟ in a market like India is very amorphous. There are multiple versions of the same idea, which are followed by different entities. Even in the rural marketing space, there is not one concrete definition. Different brands define „rural‟ according to their product and service offerings. According to various studies, around 12.2 per cent of the world's population lives in rural India, this also indicates that 29 per cent of the world's rural population lives here.

A. Market Size

India‟s per capita GDP in rural regions has grown at a Compound Annual Growth Rate (CAGR) of 6.2 per cent since 2000. The Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is expected to cross US$ 20 billion mark by 2018 and reach US$ 100 billion by 2025.

There are different types of innovation to achieve different objectives:

1) *Incremental Innovation:* Small changes in existing products and services by means of technological improvement or modification in business model
2) *Breakthrough Innovation:* Significant changes to either technology or business model of a product or service.
3) *Radical Innovation:* Substantial changes to both technology and business model. It creates new markets. Breakthrough innovation or Radical innovation is generated from R&D and other creative activity.

Sources	Rural India Meaning	Limitations
Census	• Population < 5,000 • Population density25% of male working population engaged in agriculture • No existence of Municipality or board	No consideration of total population
NSSO	Population <5000 Population density>400/km At least 75% of male working population employed as agriculturists.	
Planning Commission	Towns with population less than or equal to 15000	No consideration of town characteristics

II. OBJECTIVES

A. To gain an understanding of rural Marketing.
B. To identify the challenges facing by rural entrepreneurship.
C. To study the opportunities for rural Marketing.

III. SCOPE

The study is undertaken to assess the challenges & opportunities for Rural Marketing.

IV. RESEARCH METHODOLOGY

The study is conceptual, exploratory cum descriptive. It is based on secondary data availed from various research works done in rural marketing, journals, magazines, research articles and e-books.

A. Importance of Rural Markets

With the presence of 12.2% of the world population in the villages of India, the Indian rural FMCG market is something no one can overlook. Increased focus on farm sector will boost rural incomes, hence providing better growth prospects to the FMCG sector. Better infrastructure facilities will improve their supply chain. FMCG sector is also likely to benefit from growing demand in the market. Because of the low per capita consumption for almost all the products in the country, FMCG companies have immense possibilities for growth, at present 53 per cent of all FMCGs and 59 per cent of all consumer durables are being sold in rural India. The biggest FMCG Company in India HLL derives more than half of its Rs. 12,000 crores revenues from the rural markets. The rural market is an enigma for the companies. Due to the lack of deeper insights into the psyche of the rural consumers, companies are hesitant to explore this territory. But local brands, like ―Ghadi‖ detergent in Kanpur, have been able to successfully tap the opportunities presented by rural market. And if the companies are able to change the mindset of the consumers, i.e. if they are able to take the consumers to branded products and offer new generation products, they would be able to generate higher growth in the near future. It is expected that the rural income will rise in 2010, boosting purchasing power in the countryside. At present, urban India accounts for 66% of total FMCG consumption, with rural India accounting for the remaining 34%. However, rural India accounts for more than 40% consumption in major FMCG categories such as personal care, fabric care, and hot beverages. In urban areas, home and personal care category, including skin care, household care and feminine hygiene, will keep growing at relatively attractive rates. Within the foods segment, it is estimated that processed foods, bakery, and dairy are long-term growth categories in both rural and urban areas.

V. REVIEW OF LITRATURE

According to NCAER, a rural Market is any market that exists in the rural area with a population less than 10,000, where the real density of population at any population nucleation is low without any significant infrastructure. (NCAER.). According to Census of India 2001, out of total population of 102.7 crores, 74.2 crore are in rural areas (Census of India 2001). That makes it 72.2 percent of the country's population. Also, in absolute terms, the rural population is increasing at a higher rate than urban population. The significance of these figures is that even a small percentage increase in overall income would lead to addition of a large number of customers bringing in much needed volumes (Ramakrishnan 2006). (Sharma and Katewa (2005) discussed in his study that the rural market in India is made up of two broad compartments. One, which deals in consumer products produced by industries and the second which deals in farm produce. Srinivas (2007) stated that the India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the countrys GDP and around 8 per cent of the the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

VI. ANALYSIS AND INTERPRETATION T

Table No.1 Number Of Villages In India

Population	No. of Villages	% of Total Villages
Less than 200	92,541	15.6
200-500	127,054	21.4
501-1000	144,817	24.4
1001-2000	129,662	21.9
2001-5000	80,813	13.5
More than 5000	18,758	3.2
Total No. of Villages	593,145	100

Source: MART

- *Interpretation:* The table shows that as per the census 2011 population and number of villages in India according to number of people lived in village

Table No.2 Occupational Pattern of Rural Population

Sl.No	Sources Rural Population	(%)
1	Agriculture	58.50
2	Agriculture wage	14.25
3	Business and craft	9.50
4	Non-Agriculture Wager	8.50
5	Salaries	4.25
6	Current Transfer	3
7	Others	2
	Total	100

(Source: Primery Data)

- *Interpretation:* 58.50% of rural Population Occupational pattern is Agriculture 14.25% is Agriculture wage Business & craft 9.50% .Non agricultural wager is 8.50% & other is 2%

Table No.3 Problems Encounter By The Rural Marketers

Sl.No	Statement	No. of Respondents		%
1	Long distance travel to market products or services	Yes	No	%
		46	54	100
2	Family support	Yes	No	%
		58	42	100
3	High start-up capital	Yes	No	%
		76	24	100
4	Faced difficulties to prepare credible business plans for bank loans	Yes	No	%
		73	27	100
5	Lack of basic infrastructure (roads, water, transportation and electricity) at your places	Yes	No	%
		60	40	100

(Source: Primery Data)

- *Interpretation:* 46% of the rural Marketers are encountered with Long distance travel to market products or services, 58% have problems related to Family support, 76% belongs to High start-up capital ,73% Faced difficulties to prepare credible business plans for bank loans.60% Faced problems related to Lack of basic infrastructure (roads, water, transportation and electricity) at your places.

VII. CHALLENGES OF RURAL ENTREPRENEURSHIP

Rural Marketing has its own drawbacks.

1) *Transportation:* Transportation is an important aspect in the process of movement of products from urban production centers to remote villages. The transportation infrastructure is extremely poor in rural India. Due to this reason, most of the villages are not accessible to\ the marketing man.
2) *Communication:* Marketing communication in rural markets suffers from a variety of constraints. The literacy rate among the rural consumers is very low. Print media, therefore, have limited scope in the rural context.
3) *Availability of Appropriate Media:* It has been estimated that all organized media in the country put together can reach only 30 per cent of the rural population of India. The print media covers only 18 per cent of the rural population. The radio network, in theory, covers 90 per cent. But, actual listenership is much less. TV is popular, and is an ideal medium for communicating with the rural masses. But, it is not available in all interior parts of the country.
4) *Warehousing:* A storage function is necessary because production and consumption cycles rarely match. Many agricultural commodities are produced seasonally, whereas demand for them is continuous. The storage function overcomes discrepancies in desired quantities and timing. In warehousing too, there are special problems in the rural context.

5) *Village Structure in India:* In our country, the village structure itself causes many problems. Most of the villages are small and scattered. It is estimated that 60 per cent of the villages are in the population group of below 1,000. The scattered nature of the villages increases distribution costs, and their small size affects economic viability of establishing distribution points.
6) *Rural Markets and Sales Management:* Rural marketing involves a greater amount of personal selling effort compared to urban marketing. The rural salesman must also be able to guide the rural customers in the choice of the products. It has been observed that rural salesmen do not properly motivate rural consumers. The rural salesman has to be a patient listener as his customers are extremely traditional.
7) *Inadequate Banking and Credit Facilities:* In rural markets, distribution is also handicapped due to lack of adequate banking and credit facilities. The rural outlets require banking support to enable remittances, to get replenishment of stocks, to facilitate credit transactions in general, and to obtain credit support from the bank.
8) *Market Segmentation in Rural Markets:* Market segmentation is the process of dividing the total market into a number of sub-markets. The heterogeneous market is broken up into a number of relatively homogeneous units.
9) *Branding:* The brand is the surest means of conveying quality to rural consumers. Day by day, though national brands are getting popular, local brands are also playing a significant role in rural areas. This may be due to illiteracy, ignorance and low purchasing power of rural consumers.
10) *Packaging:* As far as packaging is concerned, as a general rule, smaller packages are more popular in the rural areas. At present, all essential products are not available in villages in smaller packaging. The lower income group consumers are not able to purchase large and medium size packaged goods

A. *Opportunities of Rural Marketing*

1) The Government of India has planned various initiatives to provide and improve the infrastructure in rural areas which can have a multiplier effect in increasing movements of goods, services and thereby improve earnings potential of rural areas subsequently improving consumption.
2) E-commerce players like Flipkart, Snapdeal, Infibeam and mobile wallet major Paytm have signed Memoranda of Understanding (MoUs) with the government to reach rural areas by connecting with the government‟s common service centres (CSCs) being setup in villages as part of the „Digital India‟ initiative.
3) With the increasing demand for skilled labour, the Indian government plans to train 500 million people by 2022, and is looking out for corporate players and entrepreneurs to help in this venture. Corporate, government, and educational organisations are joining in the effort to train, educate and produce skilled workers.
4) The Union Cabinet has cleared the Pradhan Mantri Krishi Sinchaee Yojana (PMKSY), with a proposed outlay of Rs 50,000 crore (US$ 7.5 billion) spread over a period of five years starting from 2015-16.
5) The scheme aims to provide irrigation to every village in India by converging various ongoing irrigation schemes into a single focused irrigation programme. The Government of India aims to spend Rs 75,600 crore (US$ 11.34 billion) to supply electricity through separate feeders for agricultural and domestic consumption in rural areas. This initiative is aimed at improving the efficiency of electricity distribution and thereby providing uninterrupted power supply to rural regions of India.
6) To promote agriculture-based businesses, the Government of India has started „A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship‟ (ASPIRE). Under this scheme, a network of technology centres and incubation centres would be set up to accelerate entrepreneurship and to promote start-ups for innovation and entrepreneurship in agro-industry.
7) The Government of India seeks to promote innovation and technology development in the remote rural and tribal areas. The government plans to form a committee to study various innovations and submit their reports to the concerned Department or Ministry. The programme called the „Nav Kalpana Kosh‟ aims to improve rural areas at various levels, such as governance, agriculture and hygiene.
8) Banks are working to set up rural ATMs, which will dispense smaller denomination currency notes. "We have encouraged banks to find a solution for bringing in rural ATMs.
9) The rural market has been growing gradually over the past few years and is now even bigger than the urban market. The saving to income percentage in rural area is 30% higher than urban area. At present 53% of all FMCGs and 59% of consumers durables are being sold in rural area. Major opportunities available in rural market are as follow.

VIII. CONCLUSION

There is no doubt that the rural India offers tremendous opportunity for any company to tap. However, companies face many challenges in tackling the rural markets. Some of the important factors being an understanding of the rural customers' needs, a reliable distribution channel, and an effective marketing communication strategy to put their message across to the rural consumer. Coming up with some innovative techniques in distribution, and marketing of products in rural India, can make these companies to earn greater profits, market share etc.

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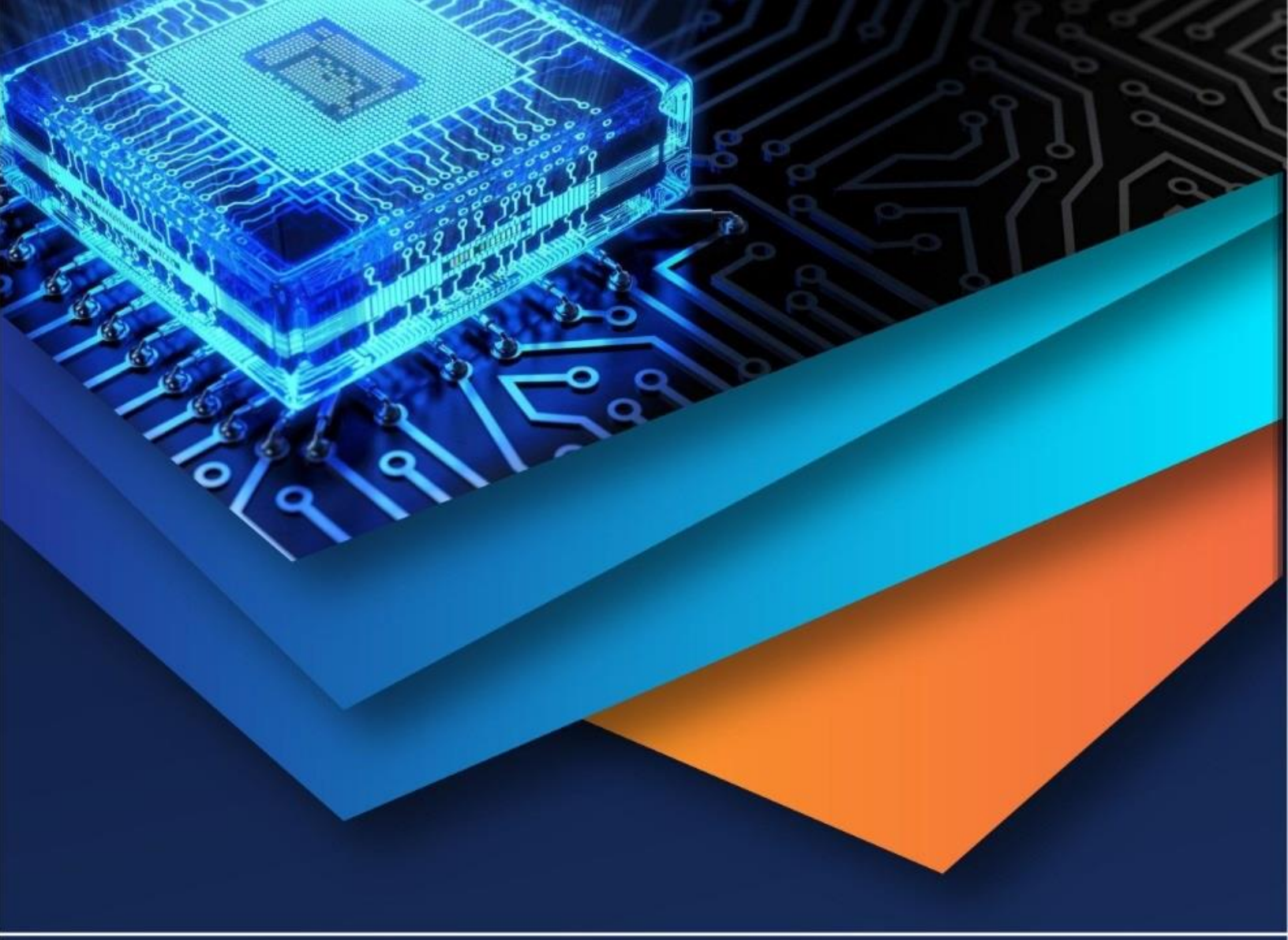

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