
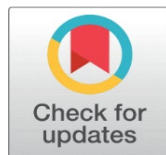


INDIA'S RURAL MARKET: THE FORTUNE LIES AT THE BOTTOM OF THE PYRAMID

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ABSTRACT

This is the literature review on the 'Rural Market' as it is very fascinating to all marketers in India and overseas. The review focuses on areas of marketing, nature and characteristics rural Market. It also gives importance to problems and opportunities of Rural Market. This will help to create and imbibe interest to the researchers/scholars for their further studies.

Keywords: Rural Market, Bottleneck, Mosaic

1. INTRODUCTION

1) Marketing

Philip Kotler (1999) defines marketing is "a social and managerial process by which individuals and groups obtained what they need and want through creating, offering and exchanging products of value with others".

American Marketing Association (1995) stated marketing as "the process of planning and executing the conception, pricing, , promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals".

According to Drucker (1958), marketing concept cannot create purchasing power. But by converting latent demand into effective demand and by channelizing all the purchasing power In the desired direction is sets a high level of economic direction it sets a higher level of economic activity. However it is also seen that, this change in the economic tune of the existing system may not be possible without any change in methods of production, distribution of population or of income. Marketing is thus directly related with (economic) development.

1.1. AREAS OF MARKETING

1) Retail Marketing

Retail marketing is the range of activities undertaken by a retailer to promote awareness and sales of the company's products. This is different from other types of marketing because of the components of the retail trade, such as selling finished goods in small quantities to the consumer or end user, usually from a fixed location. Retail marketing makes use of the common principles of the marketing mix, such as product, price, place and promotion.¹

2) Relationship Marketing

Emphasis is placed on the whole relationship between suppliers and customers. The aim is to provide the best possible customer service and build customer loyalty.

Building and keeping good customer relations are the main drivers of relationship marketing.²

3) Business Marketing or Industrial Marketing

In this context, marketing takes place between businesses or organizations. The product focus lies on industrial goods or capital goods rather than consumer products or end products. Different forms of marketing activities, such as promotion, advertising and communication to the customer are used.

Building and keeping relationships between organizations is the prime driver of Business Marketing.³

4) Rural Marketing

Ramkeshen (2002,p.10) defines Rural marketing is the process developing , pricing, promoting and distributing rural specific goods and services leading to exchanges between urban and rural markets which satisfies consumer demand and also achieves organizational objectives.

He further stated that, rural marketing can be seen as a function which manages all those activities involved in assessing, stimulating and converting the purchasing power into an effective demand for specific products and services, and moving them to the people in rural area to create satisfaction and a standard of living to them and thereby achieves the goals of the organization.

According to National Commission on Agriculture "Rural Marketing is a process which starts with a decision to produce a saleable farm commodity and involves all aspects of market structure or system, functional and institutional, based on technical and economic considerations, and includes pre- and post-harvest operations, assembling, grading, storage, transportation and distribution".

According to Thompson "the study of rural marketing comprises of the agencies conducting them, involved in the movement of farm products food, raw materials and their derivatives, such as textiles, from the farms to the final consumers and the effects of such operations on producers, middlemen and consumers".

Thus, rural marketing is a two way marketing process that includes the flow of goods and services from rural to urban areas and the flow of goods and services from urban to rural areas, as well the flow of goods and services within rural areas.

1.2. RURAL MARKET

Nature and characteristics

The rural market characteristics, are explained by Balram Dogra and Karminder Ghuman(2008)⁴which not only make it different from the urban market but also justify its study as a different discipline, are summarized as follows:

1) Large and Scattered

India's rural market is large and scattered in the sense that it consists of approximately 75 crore rural consumers who live in approximately 6,38,365 villages spread over 32 lakh kilometer area.

¹ Source: <http://smallbusiness.chron.com/definition-retail-marketing-40196.html>, 03 June, 2013, 17:21

² Source: <http://en.wikipedia.org/wiki/Marketing>, 03 June, 2013, 17:40

³ Source: <http://en.wikipedia.org/wiki/Marketing>, 03 June, 2013, 17:40

⁴ Balram Dogra and Karminder Ghuman(2008), Rural Marketing: Concept and Cases,chapter No.2, pp-19-20.

About 1,45,098 villages, or 23% of the total number of villages in India, have population less than 200; and another 21% have population between 200 and 500. Covering, such a large and widely scattered geographical market, characterized by less population per settlement, raises the inventory and transportation cost and thus affects the viability of the route schedule operations of the distribution system.

But on the other hand, 13% villages have 50% rural population and they possess 60% rural wealth.⁵

From this perspective, the rural market does not appear to be as widely distributed as it is often believed. Also 41% towns with population less than one Lakh buy 90% durables and most of them are sold to people residing in rural areas.

2) Heterogeneous Market

The rural market is not a homogenous one. As many 20,000 ethnic groups are present in India, and this poses a formidable challenge to the marketer. There are 24 languages and 1,642 dialects, and the dialects (boli) varies every 100 km or so, making it extremely difficult to develop a uniform promotional messages.

Divisions based on casts, community and the hierarchical factors also continue to exist. Perceptions, traditions, values from state to state and in some cases from region to region within state also.

The Agriculture growth process has also not been uniformly spread across India. This has created widely disparities and inequalities.

Variations in economic development and socio-cultural background influence consumer willingness to accept innovations and new products in different areas. For example the literacy rate of rural south India is much higher than rural north India.

There is no stereotype of rural consumer or rural consumer behaviour. The variations in behaviour due to the consumer environment-geographic, occupational, demographical and behavioral (place of purchase, creative use)-influence the lifestyle and create altogether different sets of needs in different areas. And, this creates the need to segment the rural market to cater it effectively and profitably.

Rural India is thus a mosaic of markets and this heterogeneity is the hallmark of the rural market. The modes of communication will have to this into account.

3) Income from Agriculture

Nearly 55% of rural income comes from the agricultural sector hence rural prosperity is tied with agricultural prosperity to a great extent.

However the recent past have seen started playing significant role on the rural economy.

The main agricultural products that controls the fate of the Rural Economy in India are as follows:⁶

- Food Grains - Rice, Wheat, Pulses, Cereals, Corn, Maize, Rice Bran Extractions, Sorghum, Soy meal, Suji, Parmal, Lentils, Jowar, Bajra, Chick pea.
- Fruits and Nuts - Cashew Kernels, Cashew Nut, Cashews, Almonds, Roasted Dry Fruits, Peanuts, Groundnut, Walnut Kernels, Walnuts, Indian Peanuts, HPS Groundnuts.
- Fruits - Bananas, Beans, Cherry, Cucumbers, Dried Fruits, Dried Truffles, Carrots, Lemon, Mandarins, Mango steens, Meslin, Shallots, Apples, Asparagus, Grapes, Oranges, Gherkins, Turnips, Oranges, Papaya, Pineapple
- Vegetables – Potatoes, Bitter gourd, Stripe Gourd, Pumpkin, cauliflower, Cabbage, Tomato, Onion, Green Pepper, Drum Sticks, Lady's finger, Banana, Papaya, Spinach, Cucumber, Mushroom, Mushroom Spawn, Radiata
- Seeds, Buds, Plantation and Related Products - Basil Seed, Cumin seeds, Dill Seed, Buds, Celery Seed, Hybrid Seeds, Sesame Seeds, Sesbania Seed, Sunflower Seeds, Mustard Seeds, Oil Seeds, Plant Products, Plantation, Plants, Psyllium seed, Fennel Seed, Fenugreek Seed, Herb Seeds, Tamarind Seed, Vegetable Seeds.
- Spices - Black Pepper, Chilli Powder, Chillies, Cinnamon, Cloves, Coriander Powder, Cumin, Curry Powders, Dry Ginger, Dry Red Chilly, Cardamom, Anise, Salt, Onion Powder, Pepper, Fenugreek, Clove, Ginger, Turmeric, Turmeric Powder.

⁵ Chhabra, S. (2005). "Connecting with rural consumers", Rural Asia Conference, May 19, 2005, BIMTECH, New Delhi.

⁶ Source: <http://business.mapsofindia.com/rural-economy/rural-economy.html>, 03/06/2013, 19:15

- Tobacco and Tobacco Products - Beedi, Betel nut Leaves, Betel nut, Bidi Leaves, Chewing Tobacco, Cigarettes, Arecanut, Jarda, Scented Tobacco, Smoking Tobbacco, Snuff, Opium, Pan, Chatni, Pan Masala, Gutkazarda, Zafrani Zard.

Others- Cotton Rubber and Jute etc.

4) Standard of Living

More than 70% population is employed in small scale agricultural and related occupations. This dependence on agriculture and natural factors has led to an acute seasonality and high chance element in income receipts in rural areas.

This unreliability factor in case of rural income makes rural consumers extremely consciously in their purchase behaviour as they are not confident about their future earnings. And, then prosperity to save for future exigencies makes them spend less to improve their standard of living even when they have good income.

Besides this low literacy, social backwardness, low savings, traditional attitude, etc. also have contributed to a lower standard of Living.

5) Infrastructural facilities

Infrastructural facilities like roads, warehouses, communication system and financial facilities are in rural areas. Roads do not connect nearly 50% village in the country.

Infrastructure or its inadequacy is the single most important factor that distinguishes urban and rural market. Promotion and physical distribution thud becomes very difficult in the rural terrain because of inadequate infrastructural facilities. Over 50% rural households have access to electricity as a main source of lightening but 46% still use kerosene for lightening.

One can differentiate rural marketing from urban marketing with following Aspects:

S. no.	Aspects		Urban	Rural	
1	Philosophy		Marketing and societal concepts, green marketing and relationship marketing	Marketing and societal concepts, development marketing and relationship marketing	
2	Market				
	a)	Demand	High	Low	
	b)	Competition	Among units in organize sector	Mostly from unorganized units	
	c)	Consumers			
		i. Location	Concentrated	Widely Spread	
		ii. Literacy	High	Low	
		iii. Income	High	Low	
		iv. Expenditure	Planned, Even	Seasonal variations	
		v. Needs	High level	Low level	
		vi. Innovation Adoption	Faster	Slower	
3	Product				
		i. Awareness	High	Low	
		ii. Concept	Known	Less known	
		iii. Positioning	Easy	Difficult	
		iv. Usage Method	Easily grasped	Difficult to grasp	
		v. Quality Performance	Good	Moderate	
		vi. Features	Important	Less important	
4	Price				

		Sensitive	Yes	Very much	
		Level desired	Medium High	Low – medium	
5	Distribution				
		i. Channels	Wholesalers, stockists, retailers, supermarkets, Specility stores, authorized show rooms	Village shops, Shandies, haats and jatras	
		ii. Transport facility	Good	Average	
		iii. Product Availability	High	Limited	
6	Promotion				
		i. Advertising	Print, audio-visual media, out doors, exhibitions, etc., few languages	TV, radio, print media to some extent	
				More Languages	
		ii. Personal Selling	Door-to-door	Occasionally	
			Frequently		
		iii. Sales Promotion	Contents, Gifts, Price Discounts	Gifts, Price Discounts	
		iv. Publicity	Good opportunities	Less	

Source C S G Krishnamacharyulu, Lalith Ramakrishanan(2009), Rural Marketing: Text and Cases, New Age, chapter no.3, Exhibit no.3.1,pp-82-83

Problems and Challenges of Rural Market:

According to Dey and Adhikari (1998), there is no question that rural market reveals opportunities and great at traction to the marketers. But it not so simple to enter in this market in smooth way. This market bristles with a variety of challenges and every marketer has to work hard to face these challenges successfully.

The following are some of the challenges that a marketer may face in entering into a rural market:

1) Transportation Bottlenecks

Sharma and Katewa (1997) define the transportation is the nerve centre of any business. But, unfortunately, most of the rural markets are paralysed in the absence of proper working of this nerve centre. This problem is more deeply felt by the rural marketing system as it mostly deals in agro-based products like fruits, vegetables, fish, poultry and dairy products which get spoiled if not transported efficiently and quickly.

According to Day and Adhikari (1998), lack of proper roads and transportation facilities create difficulties in entering into rural market. Most of the villages do not have all weather roads. About 1.69 lakh villages have been connected by all weather roads and only 92,800 villages are having fair weather roads. Still in many villages, people are bound to go on foot because no transportation facilities exist in those areas.

Ramaswami and Namkumari (2002), stated that, the transportation carriers, usually used are vans and animal drawn carts, delivery of products and services continues to be difficult in accessibility in rural areas.

2) Seasonal and Irregular Demand

Day and Adhikari (1998), discussed that the rural demand is more seasonal and irregular as compared to urban demand. The Predominance of agricultural in the income pattern is one of the major reasons for this. Interestingly,

marriages and festivals often coincide with the harvest. Afterall, agriculture in many parts of India still depends on the vagaries of the monsoon.

3) Lack of Desire for new Life-style

Rural consumers are a tradition bound community. Their culture, religion, low literacy rate and even superstitions strongly influence their purchasing decision. There is dominance of traditionality in rural areas. The pace of the life is slow and therefore they stick to old principles and traditions.

But by today, the lifestyle is undergoing a significant change.

4) Urban Mind Vs. rural Mind

It has been discussed by Day and Adhikari (1998), that there is gulf of difference between urban mind and rural mind. That is why there is wide gap between these two mindsets. Marketers are generally from urban areas. And these marketers with urban mind want to enter into rural areas and win the rural minds with their urban frame, and this is the main problem.

5) Overall Backwardness and low turnover

Rural people are economically backward. Poverty is one of the main problems with India and rural people are poorer than urban people. About 27% of the people still lives below the poverty line. Poverty confines people's expenditure on its basic necessities.

According to Sharma and Katewa (1997), due to limited demand in rural areas, marketing agencies face the stiff problem of low turnover that adds to the interest burden on business resources. This makes the whole exercise unremunerative and unprofitable.

Nowadays, in urban areas consumption loans are given liberally by commercial banks. It has to be reached and provided to rural areas too so that it will increase rural demand for outside products and will raise the living standards of the people.

6) Inadequate Marketing Support

Due to the limited potential of rural outlets, the producers and marketer don't give the liberal credit support to them. Because of this, rural outlets are not in the competitiveness as that of urban areas. The need of more financial agencies and its network has been advised for the same.

7) Ancient and obsolete technique

Due to lack of specialized managerial skills, inappropriate planning leads to inability to, attract and serves to the customers.

Rural marketing is devoid of modern advertisement strategy, aggressive salesmanship, window-dressing etc.

8) Insufficient Storage and Warehousing facilities

Ramaswami and namakumari (2002), defines that there are no sufficient storage and warehousing facilities in rural areas. This problem is adversely affects the service as well the cost of distribution. Maintaining the required service level in delivery of products become very difficult. At the same time the cost of distribution is escalated...It has been estimated that the overall distribution cost per unit is higher by as much as 50 percent on an average in the rural market as compared to the urban market.

9) Raw and immature consumers

They suffer from the following handicaps:

- Illiteracy
- Poverty
- Untimely and hurried shopping

The rural consumers are not literate to take the advantage of Consumer Protection Act. Due to this, immature decisions are taken by the consumers.

10) Problems in Organizing Marketing Channels

- Multiple tiers add to the costs viz.

Shopkeeper, Mundi level distributor and the wholesaler/stockiest/ c & F Agents adds cost to per unit.

- Non availability of dealers
- Poor viability of the outlets in the poor areas.

11) Constraints in the Marketing Communications

Marketing communication of the rural areas has to be necessarily be in the local language and idiom. This is more difficult and quite expensive to market it.

Rural communication has to go through the time-consuming stages of creating awareness. Alerting attitudes and changing behaviour. In addition to break, the deep-rooted behaviour patterns.

12)Packaging and Branding

The lower income group consumers are not able to purchase medium and large packets, so proper packaging of the smaller packets, it should be appropriate and in local language. Labeling must be informative, catchy and more attractive so as to fetch attention of more number of consumers, especially in small or unit packets.

Development of brand and, local and national plays significant role in the purchasing decision of the rural consumers.

Reddy (1997), observed that even at the presence of national brands, local brands are becoming popular in rural markets in spite of their lower quality.

13)Marketing efforts

There is need of appropriate New product development, Market driven product design and attributes, good marketing mix viz. product, price, place and promotion mix, strategies need to be adopted and the offering more number of services, is the need of time.

Doing business in the rural areas, the above mentioned efforts need to be followed.

2. CONCLUSION

This Rural Market bristles with a variety of challenges as mentioned and every marketer from all possible ways has to strive/hope for the fruitful glimpses from it. After all, it fetches attention to all marketers for their business benefits and for the same numerous efforts are still required.

CONFLICT OF INTERESTS

None.

ACKNOWLEDGMENTS

None.

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