

## Rural marketing: Roadmap ahead

Dr. Punam Ahlawat

Faculty, Maharaja Surajmal Institute, New Delhi, India.

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### Abstract

Agricultural and rural marketing are concerned with the rural population. Rural and agricultural marketing has so far been a vastly neglected and underexplored space of the Indian economy. Urban market is almost fully explored and is nearing saturation, it is becoming increasingly necessary for the India Inc to harness the huge inherent potential of the rural market to keep itself in good health and willy-nilly contribute to the growth of rural India. This paper focuses on the various need and ways of improving the rural market in India. This paper tries to understand the rural market, importance of rural marketing and status of rural market.

**Keywords:** Rural marketing, Consumer behavior and disposable income.

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### Introduction

#### Rural Marketing

The Government of India has intended various enterprises to provide and expand the organisation in rural areas, which can have a manifold effect in growing movements of goods, services and thereby improve earnings potential of rural areas subsequently improving consumption. 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.

As is the trend with urban India, consumers in the rural regions are also expected to embrace online purchases over time and drive consumption digitally. The rural regions are already well covered by basic telecommunication services and are now witnessing increasing penetration of computers and Smartphone. Taking advantage of these developments, online portals are being viewed as key channels for companies trying to enter and establish themselves in the rural market. The Internet has become a cost-effective means for a company looking to overcome geographical barriers and broaden its reach. This paper focuses on the various need and ways of improving the rural market in India.

About three fourth of the Indian population resides in the rural area and majority of them are dependent upon agriculture for their subsistence. Rural and agricultural marketing has so far been a vastly neglected and underexplored space of the Indian economy. Now when the urban market is almost fully explored and is nearing saturation, it is becoming increasingly necessary for the India Inc to harness the huge inherent potential of the rural market to keep itself in good health and willy-nilly contribute to the growth of rural India.

Rural marketing, to put it simply, is the selling of consumer products (durable and non-durable) in the rural region whereas agricultural marketing includes buying and selling of agricultural products- the two are somewhat interdependent. To tap the rural and agricultural market fully, one must understand the needs of the farmers as farmer is the face of

rural market. Agricultural marketing must precede rural marketing as the former helps in increasing the purchasing power of the farmers which in turn benefits the latter.

*"The real voyage of discovery consists not in seeking new landscapes but in having new eyes"*. It is time we stopped looking at the rural population as a drag and start thinking of them as prospective buyers and an engine of sustainable, equitable and inclusive growth. This paper attempts in clearing the following points:

- To know the rural consumer behavior/pattern.
- To know the problems and solutions associated with agricultural marketing.
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The term '*Agricultural Marketing*' is composed of two words – agriculture & marketing. Agriculture includes all farm based activities or which uses the natural resources for human welfare and marketing involves transfer of commodity from the place of its production to the place of its consumption. Agricultural Marketing together means a link between the farm and the non-farm sectors. It involves in its simplest form the buying and selling of agricultural produce.

In simple words, Agricultural marketing can be defined as the commercial functions involved in transferring agricultural products consisting of farm, horticultural and other allied products from producer to consumer. Agricultural marketing also reflect another dimension from supply of produce from rural to rural and rural to urban and from rural to industrial consumers.

As per the Indian Council of Agricultural Research "Agricultural Marketing can be defined as involvement of three important function, namely (a) Assembling (concentration), (b) Preparation for consumption (Processing) and (c) Distribution.

*'Rural marketing'* is the selling of consumer products (durable and non-durable) in the rural region. Rural marketing involves the process of developing, pricing, promoting, distributing rural specific product and a service leading to exchange between rural and urban market which satisfies consumer demand. Today, rural market occupies a larger part

of our economy and it is expected to grow at least four times the existing size. The major contributing factor for rural push is growing saturation in urban markets.

Rural Marketing is a two-way marketing process where in the transactions can be:-

1. **Urban to Rural:** It involves selling of products and services through urban markets to rural consumers. It includes: Fertilizers, Insecticides and Pesticides, Consumer durables and non-durable goods, etc.
2. **Rural to Urban:** It involves selling of farm products to the urban market either directly or through middlemen e.g. fruits, vegetables, grains, pulses and others.
3. **Rural to rural:** This includes selling of agricultural products like fruits, vegetables etc., to other nearby villages.

### **Corporate Rural Marketing Definition**

“Function that manages all activities involved in assessing, stimulating and converting the purchasing power of rural consumers into effective demand for specific products and services to create satisfaction & a better standard of living for achieving organizational goals”.

Rural marketing is the selling of consumer products (durable and non-durable) in the rural region whereas agricultural marketing includes buying and selling of agricultural products- the two are somewhat interdependent. To tap the rural and agricultural market fully, one must understand the needs of the farmers as farmer is the face of rural market. Agricultural marketing must precede rural marketing as the former helps in increasing the purchasing power of the farmers which in turn benefits the latter. 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 twice as fast as the urban markets; not surprisingly, rural India accounts for 60% of the total national demand.

Rural and agricultural marketing has so far been a vastly neglected and underexplored space of the Indian economy. Now when the urban market is almost fully explored and is nearing saturation, it is becoming increasingly necessary for the India Inc to harness the huge inherent potential of the rural market to keep itself in good health and willy-nilly contribute to the growth of rural India.

*"The future lies with those companies who see the poor as their customers."* C. K. Prahalad.

As we know that rural marketing and agricultural marketing both are related to the rural population, therefore it is necessary to highlight the features of the Indian rural masses so that we can well understand their consuming behavior and could overcome the problems connected with this segment of marketing.

### **Features of Rural Population/Rural Consumers**

**Large & scattered:** Majority of the Indian population (74%) resides in villages or small habitations. Village population is large and scattered which is the biggest challenge for the firms to market their products. The rural population forms a major portion of the Indian population as seen below.

**Source of Livelihood:** Rural people depend on agriculture for subsistence. The main source of their earning is from farm activities whose success depends to a large extent on the vagaries of weather and the rain gods. The graph below gives the distribution of rural population as per their occupation pattern.

As it can be seen from the above graph that around 77% of the rural population is engaged in agricultural and allied activities and rest of the population are either self employed or are salary earners. Thus it can be concluded that the main source of income of rural people is from agriculture and allied activities.

**Seasonal Demand:** The purchasing power or the buying capacity of the rural consumers is seasonal and not regular. Most of the time they have to live from hand to mouth. They have surplus money only after their harvest is sold which makes the demand to fluctuate a lot.

**Lack of Bargaining Power:** India has predominantly small and marginal farmers whose agricultural produce are only enough to feed themselves and they have very limited marketable surpluses and thus have a limited bargaining power.

**Traditional Outlook:** Rural market is traditional in nature. It means they are still in the rigid circle of their values, customs and beliefs. People do not easily adopt new practices and products.

**Lack of Awareness:** Rural population has very limited information about the products and markets. This is mostly because of their poor connectivity to the more developed world.

**Illiteracy:** A majority of the Indian rural population is illiterate and is not aware about the world around them.

**Liking for low cost product:** Rural consumer prefers small units and low price packing. Large pack sizes are out of their reach because of the price and the usage habits.

**Non Availability of Markets:** Rural population is scattered over a large area and suffers lack of connectivity between the urban and rural market which is a challenge before the firms who want to occupy the rural market.

As discussed earlier also that both agricultural and rural marketing are concerned with the rural population and therefore shares the same set of roadblocks and need almost same kind of reforms for the improvement of the marketing areas. Here are some of the roadblocks in the rural marketing.

### **Problems associated with Agricultural Marketing**

There are numerous challenges concerned in marketing of agricultural produce. They are:

- Limited access to the market information
- Low literacy level among the farmers
- Multiple channels of distribution (that eats away the pockets of both farmers and consumers).

- The government funding of farmers is still at growing stage and most of the small farmers still depend on the local moneylenders who charge high rate of interest.
- Though the technology associated with the crop production has improved but still most of the villages are out of the purview of the same. They are still restricted to the use of old methods of production which provides low output.
- There exists several loopholes in the present legislation system
- Lack of regulated marketing system for marketing the agricultural produce. The farmers have to face so many hardships and have to overcome several hurdles to get fair and just price for their sweat.
- Lack of proper storage which results in heavy losses

### Problems associated with Indian Rural Markets

There are several roadblocks in the progress of rural marketing. Marketers encounter a number of problems like dealing with logistics, proper and effective deployment of sales force and effective marketing communication when they enter rural markets. Some of the major problems are listed below:

1. **Poverty:** People below poverty line are more in rural area. They have low income and low purchasing power and thus there is less demand in this area. Creating demand in such a market is a big challenge which requires the firms to frame an effective strategy which would help in generating demand.
2. **Low literacy level:** As we know that the literacy level in rural area is low in comparison to the urban area which leads to the problem of communication and awareness. Print media (like newspaper) has less utility in comparison the other media of communications. Effective sales promotion technique is required to promote sales.
3. **Lack of connectivity (Transportation):** Transportation is one of the biggest challenges in rural markets. The rural markets do not have a proper road linkage which makes physical distribution a tough task.
4. **Ineffective distribution channels:** A large number of intermediaries like agents, middlemen etc. make the distribution chain ineffective. They unnecessarily raise the cost of product to the ultimate consumers and provide low prices to the farmers.
5. **Diversity in culture:** Factors like cultural congruence, different behavior and language of the respective areas make it difficult to handle the customers. Traits among the sales force are required to match the various requirements of these specific areas.
6. **Likings for low cost product:** Cost is an important factor that helps in the purchasing decision in rural areas. A lot of spurious brands or look-alikes are available, providing a low cost option to the rural customer. Many a time the rural customer may not be aware of the difference due to illiteracy which is again a challenge to be dealt with.

Apart from the above mentioned challenges in the rural marketing, there are some other areas as well which a firm must take care of while framing their strategies and they are: -

the product should be cost effective, multipurpose in usage, easy to use, independent of infrastructural necessities, sturdy etc.

### Need for Reforms in Agricultural sector

- (i) **Post-harvest and cold chain infrastructure:** There is an urgent need for the storage of goods depending upon the nature of product. It has been noticed that due to lack of proper storage facility certain goods get destroyed or deteriorated. The government must ensure opening up of adequate number of cold chain storage warehouses for the preservation of perishable goods like fish, fruits and vegetable. The government must provide grants to motivate the private sectors as well for setting up of this chain of cold storage warehouse in order to minimize the losses on account of lack of proper storage facility.
- (ii) **Single payment of market fee:** In order to avoid any further increase in the price of product to the final consumers market fee should be levied only once in the commercial transactions between traders or sale to consumers.
- (iii) **Distribution Chain:** Effective linkage between the farm products and retail chain and food processing industries, proper channel of distribution/connectivity to mandi's, dealers, haat, feeder markets etc. is required. Therefore there is a need to design a proper distribution strategy for rural areas.
- (iv) **Direct Marketing:** The concept of direct marketing should be promoted. It is desired to promote government market yard and to buy direct from farmers so as to ensure farmers to fetch maximum price from their output by eliminating middlemen/ intermediaries from the present system of marketing.
- (v) **Regulated Market:** To ensure transparencies in the existing market practices and to ensure reasonable gain to the farmers, it is required to have democratic set up to central & manage the market practices.
- (vi) **Contract Farming:** Some industries like sugarcane enters into contract with the farmers regarding production of certain crops. The cost of production is shared by the firms and the farmers. Direct purchase is made by the firms which saves transportation cost and ensures farmers with minimum support price for their product. The concept of contract farming needs to be promoted as it provides benefit to both the concerned parties.
- (vii) **KIC / Counseling centers for farmers:** One of the major roadblocks in the progress of agricultural marketing is the lack of information or knowledge. Farmers are generally not aware of the market demand, market prices the high quality seeds, the method of people cultivation and how to market their product. For overcoming these roadblocks the government must ensure the proper administration or working of these counseling centers in every district or block. Through these centers farmers can be educated regarding farming techniques, the hybrid seeds, fertilizers crops to be sown and other counseling how they can market their product etc. These centers will act as a support pillar in the progress of farmers and the rural market.

### Need for reforms in rural marketing

- New employment opportunities: From past many a decade's government has introduced several self-employment policies with active support from the banks which resulted in increasing the level of income among the rural people and to create the demand for the products.
- Low cost product and low price packing: As we have discussed earlier also that rural consumer prefers low cost product with low price packing therefore in order to promote the product in rural market pricing strategy must be formulated accordingly.
- Effective sales promotion technique: The literacy level among rural consumer is low and it is expected from the firm to adopt such a sales promotion technique which would help in generating awareness at a large scale.
- Proper channel of distribution: It is required to ensure proper retail outlets to increase the proximity to the villagers for the products. The fact is internationally acknowledged and proved beneficial at the time of the sub-prime crisis and the ensuing recession in the developed world. It is the domestic demand which insures us against any world economic recession. Of this domestic demand more than a half comes from the rural population. Therefore it is time we stopped looking at the rural population as a drag and start thinking of them as prospective buyers and an engine of sustainable, equitable and inclusive growth.

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