PROBLEMS AND PROSPECTS OF RURAL RETAIL MARKETING IN INDIA

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Abstract
Retail industry is the largest industry in India, with an employment of around 8% to 10% of the country's Gross Domestic Product. Retail industry in India is expected to rise 25% yearly being driven by strong income growth, changing lifestyles, and favorable demographic patterns. It is expected that by 2016 modern retail industry in India will be worth US$ 175-200 billion. India retail industry is one of the fastest growing industries with revenue expected to amount US$ 320 billion and is increasing at a rate of 5% yearly. A further increase of 7-8% is expected in the industry of retail in India by growth in consumerism in urban areas, rising incomes, and a steep rise in rural consumption. It has further been predicted that the retailing industry in India will amount to US$ 21.5 billion by 2010 from the current size of US$ 7.5 billion for a retailer; it is very difficult to retain the potential buyer. Because the buyers are scattered according to their convenience of purchasing. Majority of functions have to be performed by owners themselves due to limitation of resources. So the researcher made sincere attempt to identify the Problems and Prospects faced by retailer in the study area, during the course of starting and managing their enterprise.

Keywords: Rural Markets, Rural Marketing, Retail Marketing, Market Potential, Indian Retail Industry

1.1 Introduction
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. The rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioral factors operating in the country. The rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population. Rural Markets are defined as those segments of overall market of any economy, which are distinct from the other types of markets like stock market, commodity markets or Labor economics. The concept of rural marketing in India is often been found to form ambiguity in the minds of people who think rural marketing is all about agricultural marketing. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas.
The Registrars of Companies in different states chiefly manage the rural market in India brings in bigger revenues in the country, as the rural regions comprise of the maximum consumers in this country. The rural market in Indian economy generates almost more than half of the country's income. Rural marketing in Indian economy can be classified under two broad categories. These are: The market for consumer goods that comprise of both durable and non-durable goods and the market for agricultural inputs that include fertilizers, pesticides, seeds, and so on.

1.2 Basic Concepts

1.2.1 Defining Rural Marketing

National Commission on Agriculture defined Rural Marketing as decisions to produce salable commodities involving all aspects of the market system or structure, both functional and institutional, based on technical and economic considerations and includes the pre and post-harvest operations.

Several Rural NGOs defined rural marketing as Marketing products produced in rural area to urban areas. Or Marketing Products produced in rural areas in rural markets.

Several Corporates defined Rural Marketing as “function that manages all activities involved in assessing, stimulating and converting the purchase power of rural consumers into effective demand for specific products and services to create satisfaction and a better standard of living for achieving organizational goals.

1.2.1 Characteristics of Rural Marketing

Some of the important features or characteristics of Rural Marketing in India Economy are being listed below:

1. With the initiation of various rural development programmes there have been an upsurge of employment opportunities for the rural poor. One of the biggest cause behind the steady growth of rural market is that it is not exploited and also yet to be explored.

2. The rural market in India is vast and scattered and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers.

3. The social status of the rural regions is precarious as the income level and literacy is extremely low along with the range of traditional values and superstitious beliefs that have always been a major impediment in the progression of this sector.

4. The steps taken by the Government of India to initiate proper irrigation, infrastructural developments, prevention of flood, grants for fertilizers, and various schemes to cut down the poverty line have improved the condition of the rural masses.

1.3 An Overview of Rural Marketing Scenario in India

Marketing is the pivot of economic development in rural areas. It is a vital component in income and employment generation in farm and non-farm sectors. Rural marketing in India is often perceived as agriculturalmarketing and not more. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the
marketing of various products manufactured by the agricultural non-agricultural workers from rural to urban areas.

**Following are the imperative of Rural Marketing in India Economy:**

- Various rural development programs have been introduced by Central and state governments which are in turn instrumental for an upsurge of employment opportunities for the rural poor.
- Very little attention has been paid in the planning era towards the development of rural marketing. In fact marketing is a dynamic state of affairs and is part and parcel of the whole economy. Thus production and marketing are the two facets of a same coin. Rural marketing constitutes the nerve centre of rural development activities.
- Maximum numbers of consumers are living in rural India. The rural market is vast and spread and offers a plethora of opportunities in comparison to the urban sector.
- The social status of the rural regions is precarious as the income level and literacy is extremely low along with the range of traditional values and superstitious beliefs that have always been a major impediment in the progression of this sector.
- Government of India initiatives for proper irrigation, infrastructural developments, prevention of flood, grants for fertilizers, and various schemes to cut down the poverty line like MNREGA and for rural infrastructure Bharat Nirman have improved the condition of the rural masses.
- The rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioral factors operating in the country. The rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population.

**1.4 Scope of the Indian Retail Market**

The scope of the Indian retail market is immense for this sector is poised for the highest growth in the next 5 years. The India retail industry contributes 10% of the country’s GDP and its current growth rate is 8.5%. In the Indian retail market the scope for growth can be seen from the fact that it is increased to US$ 608.9 billion in 2009 from US$ 394 billion in 2005. The organized retailing sector in India is only 8% and is expected to rise to 25–30% by the year 2012. There are under construction at present around 325 departmental stores, 300 new malls, and 1500 supermarkets. This proves that there is a tremendous scope for growth in the Indian retail market. The growth of scope in the Indian retail market is mainly due to the change in the consumers” behavior. For the new generation have preference towards luxury commodities which have been due to the strong increase in income, changing lifestyle, and demographic patterns which are favorable.

**1.5 Need for the Study**

Rural Markets are defined as those segments of overall market of any economy, which are distinct from the other types of markets like stock market, commodity markets or Labor economics. The so-called urban markets are crowded and saturated and the share of agriculture in GDP is going down but India still lives in her villages. Such a potential market was being ignored by corporate sector and small and medium industries. Hence it is proposed to study the potentiality and problems of rural market with a special reference to Indian Rural Market.

**1.6 Statement of the Problem**

For a retailer, it is very difficult to retain the potential buyer. Because the buyers are scattered according to their convenience of purchasing. In order to keep possession of their sales volume, the
retailer has to face a stiff competition in the retail business. Majority of functions have to be performed by owners themselves due to limitation of resources. So the researcher made sincere attempt to identify the Problems and Prospects faced by retailer in India, during the course of starting and managing their enterprise.

1.7 Objectives of the Study
Rural markets, as part of any economy, have untapped potential. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India, as also in several other countries, like China, is still in evolving shape, and the sector poses a variety of challenges, including understanding the dynamics of the rural markets and strategies to supply and satisfy the rural consumers. The objectives of this study include observing the dynamics of Indian Rural Markets over a period of time, reviewing the literature of rural markets and rural marketing, outlining the potentiality of rural markets with respective to different segments like FMCG, Automobiles, Retail etc. The study also concentrates on the problems faced by rural markets and finally offering suggestions to overcome the problems and tapping the potentiality of the rural markets at maximum level.

1.8 Phases in Rural Marketing
1.8.1 Phase One (Pre 1960’s)
- Marketing Rural Products in Rural Areas and Urban Areas.
- Agriculture inputs in rural areas.
- Agriculture Marketing.
- Farming methods were primitive and mechanization was low.
- Markets unorganized.

1.8.2 Phase Two (1960s To 1990s)
- Green Revolution.
- Companies like Mahindra & Mahindra, Sri Ram Fertilizers’ and IFFCO Emerge.
- Rural Products were also marketed through agencies like KVIC.

1.8.3 Phase Three (1990s And Present)
- Demand for Consumables and durables rise.
- Companies find urban markets declining.

1.9 Problems of Rural Retail Marketing in India
The following are the Problems of Rural Retail Marketing in India:
- The development of appropriate communication systems to rural market may cost up to six times as much as reaching an urban market through established media, need rural communication facilities.
- The problems of physical distribution and channel management adversely affect the service as well as the cost aspect. The existent market structure consists of primary rural market and retail sales outlet. The structure involves stock points in feeder towns to service these retail outlets at the village levels. But it becomes difficult maintaining the required service level in the delivery of the product at retail level.
- Rural consumers are cautious in buying and decisions are slow and delayed. They like to give a trial and only after being personally satisfied, do they buy the product.
Culture is a system of shared values, beliefs and perceptions that influence the behavior of consumers. There are different groups based on religion, caste, occupation, income, age, education and politics and each group exerts influence on the behavior of people in villages.

As a general rule, rural marketing involves more intensive personal selling efforts compared to urban marketing. Marketers need to understand the psyche of rural consumers and then act accordingly. To effectively tap the rural market a brand must associate it with the same things the rural folks do. This can be done by utilizing the various rural folk media to reach them in their own language and in large numbers so that the brand can be associated with the myriad rituals, celebrations, festivals, melas and other activities where they assemble.

Life in rural areas is still governed by customs and traditions and people do not easily adapt new practices. For example, even rich and educated class of farmers does not wear jeans or branded shoes.

An effective distribution system requires village-level shopkeeper, Mandal/ Taluka- level wholesaler or preferred dealer, distributor or stockiest at district level and company-owned depot or consignment distribution at state level. The presence of too many tiers in the distribution system increases the cost of distribution.

Television has made a great impact and large audience has been exposed to this medium. Radio reaches large population in rural areas at a relatively low cost. However, reach of formal media is low in rural households; therefore, the market has to undertake specific sales promotion activities in rural areas like participating in melas or fairs.

Many rural areas are not connected by rail transport. Kacha (wet) roads become unserviceable during the monsoon and interior villages get isolated.

There are not enough opportunities for education in rural areas. The literacy level is as low (36%) when compared to all- India average of 52%.

Demand for goods in rural markets depends upon agricultural situation, as agriculture is the main source of income. Agriculture to a large extent depends upon monsoon and, therefore, the demand or buying capacity is not stable or regular.

1.10 Prospects and Growth in Rural Retail Marketing in India

The following are the prospects and growth in rural retail marketing in India

- **FMCG**: Rural consumers spend around 13 percent of their income, the second highest after food (35%), on fast moving consumer goods (FMCG), as per a RMAI study.

- **Retail**: The Indian rural retail market is currently estimated at US$ 112 billion, or around 40% of the US$ 280 billion retail market. Major domestic retailers like AV Birla, ITC, Godrej, Reliance and many others have already set up farm linkages. HariyaliKisan Bazaars (DCM) and Aadhars (Pantaloon-Godrej JV), ChoupalSagars (ITC), KisanSansars (Tata), Reliance Fresh, Project Shakti (Hindustan Unilever) and NayaYug Bazaar are established rural retail hubs.

- **Telecommunication**: A joint Confederation of Indian Industries (CII) and Ernst & Young report reveals that of the next 250 million Indian wireless users, approximately 100 million (40%) are likely to be from rural areas, and by 2012, rural users will account for over 60% of the total telecom subscriber base in India. In a bid to acquire rural subscribers, most Indian telecom operators have started investing in infrastructure to roll out their services in these areas.

- **Automobiles**: The auto industry, semi-urban and rural markets contribute close to 40% of sales, led by demand for two-wheelers, entry-level cars and tractors. Significantly, car sales grew 8.3% in June 2009, aided by rising demand in semi-urban and rural markets. Mahindra & Mahindra is bullish on the
rural and semi urban markets, with its utility vehicle, Scorpio clocking 60-65 % sales from the rural markets as against 20 % earlier.

**Consumer Durables-** A survey carried out by RMAI has revealed that 59 % of durables sales come from rural markets. Recently, LG has set up 45 area offices and 59 rural and remote-area offices. Moreover, it has outlined plans to invest around US$ 40 million towards development of entry-level products targeted at rural markets. Samsung has also rolled out its 'Dream Home' road show which was to visit 48 small towns in 100 days in an effort to increase brand awareness of its products. Samsung expects that its rural revenues would increase to US$ 287.7 million in 2009 from US$ 164.4 million last year.

### 1.11 Marketing Innovation

A marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing. Innovative marketing of products is about leveraging the marketing mix, namely, the four P's which are Product (Design and Packaging), Price, Place and Promotion. One style of innovation that really works in a country as large and diverse as ours, is grassroots innovation: this includes inventions for a milieu that is quintessentially Indian. These inventions are probably difficult to migrate from our culture, traditions and environment to that of other countries, but they are critical to how Indian ingenuity can be directly used to transform our circumstances, in ways that elite corporate research laboratories never can. These rural and indigenous innovations come from two sources: first, farmers, semi-literates, illiterates, slum-dwellers who have managed to change things by marrying their own innate genius to their inherent understanding of ground conditions; and, second, innovations taken from more traditional sources such as universities and independent engineers that are then adapted back to suit Indian traditions and conditions. Some more are here-

The following are the Marketing Innovation of Rural Retail Marketing in India:

i) Balubhai Vasoya, from Ahmedabad in Gujarat has developed a stove that uses both kerosene and electricity. A six-volt electric coil heats the kerosene, converting it into gas which burns with a blue flame. It saves 70 % on fuel compared with conventional stoves running on LPG. 'One liter of kerosene lasts for eight hours; and in 20 hours, the stove uses one unit of electrical power. So running it for an hour costs one-and-a-half rupees in total. No smell, no smoke and it burns like LPG.'

ii) Mansukhbhai of Gujarat could not afford to buy a tractor, so he created an Enfield diesel motorcycle with a difference: by removing the back wheel and replacing it with a spiked cylinder, his motorcycle now doubles as a tractor.

iii) Anna Saheb Udgave, a 70-year-old farmer from the Sadalga village in Karnataka's Belgaum district, developed a low-cost drip irrigation system to fight water crisis in his village. He improved upon his innovation and turned it into a mega sprinkler, and called it Chandraprabhu Rain Gun. Other impressed farmers of the same village slowly started using Anna Saheb's rain gun in their farms.

iv) Deepasakhti Pooja Oil, a blend of five different oils in a ratio prescribed in the Indian shastras does not produce any soot but gives a bright flame. It lasts longer and the fumes produced repel disease-causing bacteria. It is now being commercially manufactured by KP Castor Oil Works in Coimbatore.

v) A banana stem injector developed by Manoharan, a lathe owner of Batlagundu in Tamil Nadu, is similar to a syringe which can be used to inject pesticides into the pseudo-stem of the banana that is diseased. 'It helps manage indiscriminate pesticide application in banana cultivation, leading to a 20 percent cost saving in farming operations'.
vi) A solar water harvester conceived by Deepak Rao of Chennai has received a grant of Rs 190,000 from the Techno entrepreneur Promotion Program of the Department of Science and Technology, Government of India. It uses solar energy to convert non-potable water into potable water. The product is still going on, and we are yet to commercialize it. From a 1 square metre model, we can have 5 liters of pure water per day. We are looking at it from a domestic point of view, especially in Chennai, where water scarcity is a big problem.

vii) ICICI BANK customized their rural ATMs, so they can operate biometric authentication. ICICI rural ATMs are battery operated so that power failure is not issue. • ICICI Prudential Life connects with rural India through 'Pragati Ki AnokhiPaathshala. Education is the doorway to the wider world. India's key challenge today is to rapidly provide its rural students with opportunities and develop basic leadership and problem-solving skills, raise their command over the English language and develop lateral thinking capabilities. ICICI Prudential Life Insurance Company has undertaken a short yet intensive program, offering unique progressive educational model for the rural children of India through Pragati Ki Anokhi

**ITC E-choupal**

ITC Limited (formerly India Tobacco Company Limited) is a consumer product and agribusiness conglomerate in India known for their production of cigarettes, specialty paper, food products and packaging services. E-Choupal is an India-based business initiative by ITC Limited that provides Internet access to rural farmers. The purpose is to inform and empower them and, as a result, to improve the quality of agricultural goods and the quality of life for farmers. Through the e-Choupal initiative, ITC has created more than 6,500 E-Choupal computer stations in rural areas that serve an average of six hundred farmers each. Using this technology, farmers may order supplies, learn about best agricultural practices, receive weather reports and read about pricing for crops throughout the region. Farmers can use that information to their own prices. They also obtain higher profit margins because they're no longer forced to sell through a middleman. ITC Limited also benefits from the initiative, by simplifying its supply chains and increasing its profits. In India, presently 6,500 E-Choupals in operation. ITC Limited plans to scale up to 20,000 E-Choupals by 2012 covering 100,000 villages in 15 states, servicing 15 million farmers.

**Hul Project Shakti**

Hindustan Unilever Limited (HUL) (BSE: 500696) is India's largest fast moving consumer goods company owned by the European company Unilever. The Anglo Dutch company Unilever owns a 52% majority stake. HUL was formed in 1933 as Lever Brothers India Limited and came into being in 1956 as Hindustan Lever Limited through a merger of Lever Brothers, Hindustan Vanaspati Mfg. Co. Ltd. And United Traders Ltd. It is headquartered in Mumbai, India and has an employee strength of over 15,000 employees and contributes to indirect employment of over 52,000 people. The company was renamed in June 2007 as "Hindustan Unilever Limited". With the urban market saturated, FMCG companies are now targeting the rural markets. In spite of the income imbalance between urban and rural India, rural holds great potential since 70% of India's population lives there. Hindustan Unilever Limited (HUL) to tap this market conceived of Project Shakti. This project was started in 2001 with the aim of increasing the company's rural distribution reach as well as providing rural women with income-generating opportunities. This is a case where the social goals are helping achieve business goals. The recruitment of a Shakti Entrepreneur or Shakti Amma (SA) begins with the executives of HUL identifying the uncovered village. The representative of the company meets the panchayat and the village head and identify the woman who they believe will be suitable as a SA. After training she is asked to put up Rs 20,000 as investment which is used to buy products for selling. The products are then sold door-to-door or through petty shops at home. On an average a Shakti Amma makes a 10% margin on the products she sells. An
initiative which helps support Project Shakti is the Shakti Vaniprogramme. Under this programme, trained communicators visit schools and village congregations to drive messages on sanitation, good hygiene practices and women empowerment. This serves as a rural communication vehicle and helps the SA in their sales. This model has been the growth driver for HUL and presently about half of HUL's FMCG sales come from rural markets. The Shakti network at the end of 2008 was 45,000 Ammas covering 100,000+ villages across 15 states reaching 3 m homes. The long term aim of the company is to have 100,000 Ammas covering 500,000 villages and reaching 600 m people. We feel that with this initiative, HUL has been successful in maintaining its distribution reach advantage over its competitors.

1.12 Recommendations for Effective Rural Marketing Practices in India

The following are the recommendations for the Effective Rural Marketing Practices in India:

a. The Government has to develop infrastructure facilities like roadways, railways etc., in rural areas so as to reach large Indian rural market.
b. The rural communication facilities like telecommunication systems, internet facilities, broadcasting systems etc., have to be improved so that there will not be any communication gap among players of the rural market segments.
c. Effective Supply Chain Management practices can bring down the various costs associated with rural markets like distribution cost, cost of communication, customer cost, cost of sale etc.
d. Educating rural consumers is the key to successful rural marketing. Rural consumers need to be educated in all aspects like usage of the products, gathering product information, consumer rights, laws and regulations, getting the right product at right place at right cost in right time.
e. The efficient marketing is predominantly influenced by efficient distribution system it means products such ultimate consumer in the quickest time possible at minimum cost.
f. The state marketing board or federation or market committees also the producers, traders and sellers have necessarily to be consulted as they have the principle interest towards its use.
g. Suitable structure of support prices for various farm commodities adjusted from time-to-time. Adequate arrangement of agricultural produce on support price, if the price falls below the level.
h. Rural marketing is the nerve center of a rural economy; rural markets are the channels for the movements of goods and services as well as to promote cultural integration.

- Greater Need for Strategic Rural Marketing Practices Which includes

- Client and location specific promotion
- Joint or cooperative promotion
- Bundling of inputs
- Developmental marketing
- Unique selling proposition (USP)
- Extension services
- Business ethics
- Partnership for sustainability
- Management of demand
1.3 Conclusion

There were almost twice as many "lower income households" in rural areas as in urban areas. There were 2.3 million "highest income" households in urban areas as against 1.6 million in rural areas. NCAER projections indicated that the number of "middle income and above" households was expected to grow to 111 million in rural India by 2007, compared to 59 million in urban India. Gone were the days when a rural consumer had to go to a nearby town or city to buy a branded product. The growing power of the rural consumer was forcing big companies to flock to rural markets. At the same time, they also threw up major challenges for marketers. In rural markets, customs and beliefs play important role in success or failure of any product. Therefore every marketer has to concentrate on rural markets apart from the matured urban markets. The role of government is very vital in solving the problems of rural markets. Development of infrastructure and effective implementation of laws, rules and regulations will protect interest of rural consumer.

References and Notes

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