

Serving Rural Markets : Social or Business Proposition?

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Following the increased accent on rural development, the importance of rural markets are fast gaining ground. The Indian manufacturers' long experience of catering to urban markets seems to have "conditioned" their marketing outlook, making the shift towards rural difficult. This paper has suggested a number of steps in overcoming the urban bias and to penetrate the rural markets. It also elucidates the government's role in this direction.

The government undertakes rural programmes as a social and political necessity, while industry, by and large, as part of its social responsibility, barring whose products can be readily acceptable to rural population. There have been instances of prolonged promotion for acceptance but these mostly pertain to habit-forming products like tea and cigarettes where the time lag between adaptation and adoption of a product would not be very long. Not long ago, some firms dealing with consumer durables, such as stainless steel, tricycles, bicycles, etc, and also firms manufacturing building material like asbestos sheets, etc, have penetrated the rural markets, following the growing profit opportunities, opened up with the increasing incomes in the rural households. The emergence of capitalist farming, improved terms of trade, and rural banking and credit facilities are some of the important infrastructural facilities which make the rural areas increasingly break from the subsistence economy that dominated the rural scene for quite sometime.

In this paper, our aim is to analyse the characteristics of rural markets and the role that marketing can play in making rural marketing a business proposition, for a number of organisations are presently engaged in restructuring their energy to penetrate deep into the rural markets.

Composition of Rural Markets

The rural economy in India is predominantly agro-based. About 70 per cent of the rural population is dependent on agriculture for its livelihood. Next comes trade and cottage industry which constitute the important sectors in respect of income generation, followed by service segment like village postman, school teacher, revenue officials, veterinarians, development officers, etc. In recent years, agriculturists have started diversifying into agro-based areas like poultry, horticulture, dairy products, etc.

Disparities in incomes in rural areas is seen to be greater, compared to the urban

areas. This is well illustrated by the land ownership pattern.¹ As much as 70 per cent of the rural households own no land and constitute the bulk of the population living below the poverty line. Of the rest, 43 per cent owns less than one acre. They own only 1.58 per cent of the cultivable land. Large land owners with 50 acres or more possess 8.32 per cent of the total cultivable land and constitute a mere 0.42 per cent of the rural population. Also, the statistics have it that 15 per cent of the top land owners of the rural areas earn 52 per cent of the total income, while the remaining 85 per cent are left to scramble for the rest of the 48 per cent of the economic cake.

These structural inequalities apart, there is a wide income variation between different regions. In areas where agriculture is comparatively well developed, the incomes are considerably high for those even at the lower rungs of the rural population. This is well illustrated by the difference in the minimum wages between one region and the other. It is due to this reason that even a landless labourer in Punjab is better off than his counterpart in the backward areas of Bihar.

Table 1, showing the all-India rural consumer expenditure, depicts some interesting features :

1. Contrary to 'beliefs', the expense on food is seen to increase with the levels of income. However, the percentage of expenditure spent on food shows a decline after the income reaches a certain level.

2. Over 60 per cent of the people spend 80-85 per cent of their income on food.
3. Any additional income, to those at the lower income levels, one can safely assume, will be spent on food rather than on non-foods.
4. If we assume that those spending more than Rs. 100 per year on non-foods, may be interested in branded products, the size and potential for branded consumer products in the rural markets would probably extend to about 30 to 40 million households. When comparing this to urban purchasing power, we find more rich consumers in rural areas than in urban areas.²
5. The table indicates to a marketer the possible segment of the rural market he needs to tackle and rough estimates of the market size for his products.

The NCAER Study on *Household Income and Its Disposition* showed that the average reporting household in the urban areas owned consumer durables worth almost three times the value reported by the rural household. In terms of the total money spent, however, the rural market took up Rs. 272 crores worth of durables in 1976, compared to Rs. 240 crores of durables purchased in the urban market. The study further observes : "A rising trend in the proportion of households owning consumer durables with increasing levels of education of the chief earners was noticed in both the rural and the urban areas; the

1. Land-ownership pattern. *India Today* 16-31 March 1980.

2. Balakrishnan M.D. *Rural marketing: Myth and reality. Economic and Political Weekly* 1978, 13 (34), M 75 - M 80.

Table 1 : All-India Rural Consumer Expenditure per Person per Annum by Broad Groups of Items as per Expenditure Classes

Item	Percentage Distribution of households													
	0.39	0.35	1.06	1.92	2.96	5.28	11.10	18.53	20.19	19.48	10.26	6.07	1.46	1.95
Expenditure	Rs. 0-156	Rs. 156-180	Rs. 180-216	Rs. 216-252	Rs. 252-288	Rs. 288-336	Rs. 336-408	Rs. 408-516	Rs. 516-660	Rs. 660-900	Rs. 900-1200	Rs. 1200-1800	Rs. 1800-2400	Rs. 2400- & above
1 Food	104.63	139.68	168.60	197.04	223.56	260.88	309.36	379.80	468.60	582.96	729.84	902.88	1069.20	1542.60
2 Misc. goods and services	3.72	6.72	7.66	9.48	10.80	12.96	17.40	23.52	34.34	55.68	98.04	176.64	324.84	594.24
3 Rents	—	—	—	0.12	—	—	—	—	0.36	0.96	1.80	3.60	5.40	14.28
4 Taxes	—	—	—	—	—	—	—	—	—	0.24	0.24	1.56	0.36	1.92
5 Durable goods	0.12	—	0.12	—	—	—	0.24	0.72	1.68	4.80	10.68	39.48	181.92	490.68
6 Non-food total	22.20	28.80	33.12	39.00	45.84	51.48	62.40	80.76	114.12	179.76	293.38	530.16	969.00	1873.68
7 Total consumer expenditure	126.84	168.48	201.72	236.04	269.40	312.36	371.36	460.56	582.72	822.72	1023.72	1433.04	2038.20	3416.22

Source : Computed from Tables on Consumer Expenditure, 28th Round, National Samples Survey Organisation, Oct. 1973-June 1974

Note :

- A Miscellaneous goods and services : Amusements [cinema, etc], education, medicine, toilet articles, sundry articles, consumer services, transport, etc,
- B The data are only for expenses towards non productive domestic consumption. All expenses towards the enterprise activities of the household are excluded
- C Expenditure includes cash and credit purchases
- D The study is based on all-India sample

rural starting with a lower base had a steeper gradient compared to the urban".³

Thus, the objective of analysing the economic structure is to identify market opportunity and the investments and efforts the organisation may have to make in converting the rural opportunities to business proposition.

Emerging Trends

The rural consumers are increasingly changing their lifestyles to that of their counterparts in the cities.⁴ Thus, the shift from soaps to detergents, *shikakai* to shampoos, age-old herbal remedies to modern medicines and neem twigs to toothpastes is significant. One can hope that with increasing incomes the rural population will also move from "creature security to creature comfort", thereby offering enormous opportunities to organisations. One also sees cracks in the joint family system, particularly in the north and east. This social change should give rise to considerable increase in the number of independent purchase decision-makers thereby generating opportunities for a large base of diverse products.

The increasing stress on literacy and the number of new schools and other vocational institutions in the rural areas should go a long way in reducing the social disparities among the rural-urban population. This reduction in social distance is likely to put pressure upon the less provided population to increasingly go in for products like bicycles, stainless steel tiffin carriers, books and stationery and other products. This pressure would compel the

trading class to increase their product lines so as to generate more profits. In turn, it would imply increase in the distribution outlets which provides yet another opportunity to organisations.

Rural Consumer Profile

An understanding of the consumer profile is, therefore, central to any organisation. Characteristics, such as social, cultural background, living habits, motivational factors, and educational levels, need to be understood in drawing up the rural consumer profile. In view of the diversity among the rural consumers living in different regions, this task is rather difficult. It gets further complicated by such factors as increasing urge for more material comforts, the emergence of educated farmers, the transformation from subsistence farming to commercial farming, and the advance in communications.

It will be highly unrealistic to discuss a single buyer behaviour applicable to rural population as a whole. The diversity in the rural buyer behaviour has been well brought out in a pilot study⁵ conducted in some tehsils of Uttar Pradesh. The study found that the consumers in villages closer to cities tend to follow the lifestyles radiated by the cities. In villages lying in the interior, there has been less effect of this city radiation. Whereas the media like the All India Radio, newspapers, etc, are influencing the demand pattern in villages closer to the cities, those in the interior have been observed to be very cautious buyers and make their purchase decisions through: (1) past experience; (2) observation; (3) advice of selected retailers; and (4) opinions of certain people

3. National Council of Applied Economic Research. *Household Income and its Disposition*. New Delhi, 1980.

4. Kapoor M C. Rural retail marketing: A pilot study. *Indian Management* 1977, 16 (1) pp 21-8.

5. Kapoor M C. *op. cit.*

of credibility like teachers, village heads, etc. It could be because of this reason that demonstration of any product has been found more useful in rural areas, especially in the interior, while the All India Radio and newspapers have been found to influence the demand decisions in villages close to the cities.

The rural buyer is highly sensitive to price. The study⁶ shows that price is considered to be the most important factor in the case of the sale of consumer goods of daily use. It scales down in importance when we come to the sale of consumer durables where factors other than price also play an equally important role in the buying process. Thus, credit often forms the basis for sale, primarily due to seasonality of income and in some cases immensely influences the purchase decisions. No wonder, the survey⁷ reflected that 80 per cent of the rural retailers considered credit as a very important tool for influencing the purchase decision of the buyers. It further revealed that 100 per cent of the rural retailers offer credit. It is not only the rural consumer whose purchase decision is vitally affected by the grant of credit but the same is true in the case of retailers also.

The survey⁸ also shows considerable resentment against manufacturers among rural consumers for not adequately rendering marketing services. Let us examine the views of customers regarding the services rendered to them alongwith what they expect of the organisation. The complaints have been ranked in order of their importance and are listed below :

1) Higher prices

6. *Ibid.*
7. *Ibid.*
8. *Ibid.*
9. *Ibid.*

- 2) Poor quality of products
- 3) Poor packaging
- 4) Adultration, especially in pre-packaged items
- 5) Cloth shrinkage and colour fading
- 6) Limited product mix
- 7) Occasional scarcity of certain items
- 8) Inadequate repair facilities
- 9) Poor after-sales service arrangements
- 10) Old fashioned items

The complaints like inadequate repair facilities and poor after-sales service arrangements can be adequately met if organisations form into a group and distribute goods through mobile marketing units which can perform a variety of functions at regular intervals. These functions could cover repair and maintenance services, display and demonstration of equipment, etc. One of the problems in rural distribution is the proliferation of "imitations". The mobile units could keep a check on dealers as well as educate the consumers on the genuine and the spurious products.

Now, let us turn to some of the expectations of the rural customers. The same survey⁹ has listed the following in the order of importance :

- 1) Greater variety/better choice
- 2) Lower prices
- 3) Better quality products

- 4) More credit on easy credit terms
- 5) Regular supply of essential items
- 6) New product lines, especially those which are available in cities
- 7) Supply of fashionable items

As one would observe from this list, the most important expectation of the rural buyer is a wide product mix so that he could make a better and more satisfying choice. The implications of better product quality, new product lines, etc. could be summed up in the increased risk reduction factors—the product should be genuine and durable and the buyer should not run the risk of inadequate, shrinkage and colour fading, etc.

Role of Marketing

Marketing can provide a very useful functional approach in narrowing the distance between organisations and the rural markets. The first and the foremost factor in this is the understanding of the markets before the organisation starts focusing its resources to the business opportunities prevalent or potential.

Considering the relatively low level of knowledge of the rural need structure, their preferences, attitudes and buying power, intensive and extensive marketing research is a must. Qualitatively, also the collection of information would have to be done differently. One may not come across much secondary data with the result that the researcher would have to gather primary data from the market itself. Also, rural market research is likely to be more complex because of the variety of languages and cultures along with differences within different peasant sub-cultures. It is well understood that the relatively low market potential in many markets would impose severe limitations on the investments that

could be made in market research. The researcher would be required to modify his techniques, for instance, he must attempt to discover economic and demographic relationships that can enable demand estimation with a minimum of information. Consequently, it will be right to say that he will have to make sacrifices in some elements of the research design in order to get results within the constraints of a smaller research budget. Perhaps, a syndicate approach could be more economic. According to this approach, different companies offering non-competing products could have joint market research.

New Approach

Many organisations have adopted a number of approaches to reach the rural markets. The emphasis has been primarily on generating demand and selling the products. However, over a period, the increasing prices of farm inputs and other products have made the farmer even more selective in his purchase. Hence, the earlier approach does not appear to be that feasible today. The first priority of the Indian farmer goes to the farm inputs and then to products offering creature security and the left-over to creature comfort. But at the same time, because of a variety of reasons, like improved transportation and communication, enhanced literacy and an increasing political consciousness, the rural-urban distance is increasingly becoming small. The eagerness to acquire more and more consumer goods and to imitate the urban elite can be noticed among the rural buyers.

If one were to succeed in such a complex and dynamic marketing environment, a new approach of reaching the rural markets is necessary. While extending McGregor's theory X and Y to marketing situation one can perhaps attempt a new approach. According to McGregor, mana-

gers fall into two categories—X and Y; X representing the traditional view of practices and control, and Y representing the integration of individuals and organisation in a participative manner.

One would say that in the urban areas, marketers are, by and large, going by X

Marketing X

- 1 'Adopting villages' as contribution to 'rural development'
- 2 Focus on higher and middle income groups
- 3 Penetration of existing markets of about 80-100 million people
- 4 Maximisation of profit margins
- 5 Analysis of markets in demographic terms
- 6 Advertising the presumed benefits of the existing products
- 7 Distribution channels from the existing production location
- 8 Exploitation of individual strengths
- 9 Exploitation of the "existing" markets
- 10 Extreme product focus

theory, whereas for going rural X theory would need to be enlarged and extended to Y theory. The following artificially drawn conceptual differentiation would represent the basic elements of this approach :

Marketing Y

- Adapting policy positions of 'rural development' through expanded employment and purchasing power
- Focus on all income groups as a process of market expansion
- Development of new and enlarged markets 600-1000 million people
- Maximisation of total profits, small margins and large-scale production
- Analysis of markets in terms of economic classes and social structure with emphasis upon opinion leaders
- Product redesign and development to meet needs of the consumers in mass markets
- Decentralised locations of production to cut distribution costs and help expand local purchasing power
- Symbiotic marketing using strengths of each other
- Planning and development of "latent" and "incipient" markets
- Focus on fulfilling needs and economic utilities

From the foregoing one feels that marketing knowledge will create a new challenge to both top and middle management. Though 'Y' covers all aspects and techniques of marketing as 'X' but the same gets extended to something qualitatively superior and hopefully more workable.

We will now attempt to discuss in brief some of the new challenges like designing appropriate channels and promotion as a result of adapting theory 'Y'. No doubt, theory 'Y' will have implications on other elements of marketing mix like product, price, after-sales service, etc, but we would limit ourselves to channels and promotion which are critical in rural marketing.

Distribution

The major challenge in rural marketing lies in the organisation's ability to make its products and attendant services available to the rural buyer in his own environment. This may seem an unattractive proposition in view of the escalating costs of transportation and storage or the non-availability of good roads, storage points and transport networks. It is in this context that we have suggested the need for a symbiotic marketing approach wherein a group of non-competing organisations can get together and arrange for common distribution. The symbiotic approach involves a basic switch from reliance on private distribution systems to reliance on comprehensive systems of shared facilities and services. Such an approach will go a long way in offering greater efficiency and significant cost reductions in physical distribution. This becomes crucial in view of the small size of indi-

vidual markets in rural areas, coupled with spiralling distribution costs. Though this approach would reduce the costs of distribution, it may not fully be able to overcome the limitations imposed by poor distribution infrastructure in rural areas. In any case, most of the "rich" villages are accessible.

A widely believed notion for marketers' inability to reach the rural buyers in their own environment is the non-availability of retail outlets in villages. This notion does not seem to have much strength. We find that for every 50 families in rural India, there is a retailer offering products of daily use.¹⁰ A study of villages in Uttar Pradesh has shown that two-fifths of the village retail outlets have been established after 1975 and third between 1971 and 1975. In market centres (which cater to customers/retailers from neighbouring villages), more than three-fifths of the outlets have been established after 1971.¹¹ The proliferation of trading outlets clearly rejects the traditional viewpoint of "channel non-availability". While it is true that most of the rural retailers are small and medium sized, yet the products carried by them have considerably wide coverage—toiletries, cosmetics, ready-made garments, packaged tea, stationery items, dry cells, cycle parts/accessories and pharmaceutical items. One also observes that many rural retailers have shifted from selling loose goods to packaged products.¹²

One interesting aspect of the change in rural distribution is the entry of a new breed of traders not belonging to the traditional "bania" class. The new entrant has better resources and managerial ability as

10. Labdhi Bhandari. Distribution : The backbone of Indian marketing system. *Economic and Political Weekly* 1978, 13 (34).

11. Industrial Credit and Investment Corporation of India. *Rural Marketing : A Pilot Survey*. 1971.

12. Kapoor M C. *Rural retail marketing*. *op. cit.*

