

## **UNIT 5: PROMOTION AND RECENT DEVELOPMENTS IN MARKETING**

Semester- II (UG)

Subject- Marketing Management

Topic-Rural Marketing

### **Rural Marketing:**

According to T.P Gopaldaswamy – “Rural Marketing is a two-way process which encompasses the discharge of business activities that direct the flow of goods from urban to rural area (manufactured goods) and vice versa (agriculture products) as also with in the rural areas”.

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

According to Velayudhan (2002), rural marketing includes all those activities of assessing, stimulating and converting the rural purchasing power into an effective demand for specific products and with the aim of raising the standard of living. It is a two way marketing process of flow of goods and services from rural to urban areas and vice-versa (George & Mueller,1955). Rural marketing is any marketing activity in which one dominant participant is from rural area (Kotler, et al., 2009)

Rural markets today offer growth opportunities to firms caught in intensive inter- firm rivalry in urban and metro markets.

### **Rural Market becomes attractive to corporate:**

- The Growing Opportunity, One Main Driver
- Heat of Competition in the Urban Market, A Stronger Driver
- Many Companies have Already Taken to the Rural Market in a Big Way
- Vibrating economic growth leads to positive change in the taste , preference of the consumers

- Today Rural India offers a series of opportunities with the substantial upgradation in purchasing power;
- Increased brand consciousness pattern and rapid spread of communication network all waiting to be harnessed.

### **Features of Rural Marketing:**

1. Large and scattered population
2. Culturally a Diverse and Heterogeneous Market
3. State to State Variation in Extent of Development
4. Literacy Level
5. Lifestyle
6. Buying Behaviour( Influence of culture,Geographic Location,Exposure to urban lifestyles,Places of purchase,Involvement of others in purchase,Marketers effort to reach out the rural market)
7. Major income of Rural Consumers is from Agriculture
8. Low standard of living
9. Traditional Outlook

### **Nature of rural market**

The nature of rural market is as follows:

- Large, diverse and scattered market: Rural marketing in India is large, and scattered into a number of regions. There may be less number of shops available to market products.
- Major income of rural consumers is from agriculture: Rural prosperity is tied with agriculture prosperity. In the event of crop failure, the income of masses is directly affected.
- Traditional outlook: Villages develop slowly and have a traditional outlook. Change is a continuous process, but rural people accept change gradually. This is slowly changing due to literacy especially in the youth who have begun to change the outlook in the villages.
- Standard of living and rising disposable income of the rural customers: It is known that majority of the rural population lives below poverty line and has low literacy rate, low savings, etc. Today the rural customer spends money to get value and is aware of the happening around him.
- Rising literary levels: It is documented that approximately 45% of rural Indians are literate. Hence, awareness has increased and the formats are well-informed about the

world around them. They are also educating themselves on the new technology for a better life style.

- Diverse socio-economic background: Due to differences in geographical areas and uneven land fertility, rural people have different socio economic background, which ultimately affects the rural markets.
- Infrastructure facilities: The infrastructure facilities like warehouses, communications systems and financial facilities (or) inadequate in rural areas physical distribution are a challenge to marketers who has found innovative ways to market their products.

### **Importance of Rural Markets:**

**Rural Markets** are tomorrow's markets in India. On account of the green revolution in India, the rural areas are consuming a large quantity of industrial and consumer products produced near the urban. Rural market is growing faster than urban, rural marketing results into overall balanced economic and social development. Rural marketing turns beneficial to business s, people residing in rural areas, people residing in urban areas and to the entire nation. Growth and development of rural marketing contribute to overall prosperity and welfare in the following ways.

#### **1. Reduced Burden on Urban Population**

Rural marketing can contribute to rural infrastructure and prosperity. People can also live comfortably in villages due to availability of all goods and services in villages, even comparatively at low price. People, due to growth of marketing activities, can earn their livelihood in rural places. Population pressure on urban can be reduced.

#### **2. Rapid Economic Growth**

Naturally, marketing acts as catalyst agent for economic growth. There exists more attractive business opportunities in rural than urban. Rural market is more potential for consumer durables and services. Rural population largely depends on agriculture and it can contribute nearly 50% to total national income. Agriculture enjoys significant portion in export business, too. Rural marketing improves agricultural sector and improved agricultural sector can boost whole economy of the country.

#### **3. Employment Generation**

At present, nearly 70% of total Indian population feeds on agricultural activities in rural areas. Rural marketing can generate more attractive employment opportunities to rural and

urban people. Growth of rural marketing leads to increased business operations, professional activities, and services that can generate a lot of employment opportunities.

#### **4. Improved Living Standard**

Due to rural marketing system, rural buyers can easily access needed standard goods and services at fair prices. In the same way, rural marketing improves rural infrastructure. Additionally, rural marketing can also improve their income. These all aspects can directly improve living standard.

#### **5. Development of Agro-based Industries**

Rural marketing leads to set up agro-based processing industries. Fruits, vegetables, cereals, pulses, etc., are used as raw materials. Such industries can improve farmers' profit margin and employment opportunities.

#### **6. Optimum Utilization of Rural Untapped Resources**

There are unlimited business opportunities exist in rural areas. Untapped and underutilized resources can be utilized at optimum level and that can further accelerate overall economic growth.

#### **7. Easy Marketability of Agricultural Produces**

Growth of rural marketing improves whole marketing system. Multiple options are available to farmers and local producers to market their products. Big domestic corporate houses and multinational companies prefer to buy agricultural products directly from villages by their own or through agents and small firms. Rural producers can sell their produces easily at satisfactory prices. Their improved income level can improve their purchasing power that can further fuel to industrial demand.

#### **8. Improved Rural Infrastructures**

Rural marketing and basic infrastructures go hand to hand. Growth of rural marketing leads to improved transportation, insurance, banking, communication, entertainment, and other facilities. Due to availability of basic infrastructural facilities, businesses can easily reach the target rural buyers.

#### **9. Price Stability**

Marketing results into better transportation, warehouses, and communication facilities. Agricultural products can be systematically marketed throughout the year. Huge gap between demand and supply can be avoided and, as a result, prices of most of commodities remain more or less stable.

#### **10. Quality of Life**

Marketing can refine entire living style and system. Better quality products at reasonable price, improved income level, availability of facilities, etc., have direct positive impacts on quality of life.

### **11. Balanced Industrial Growth**

The gap between rural and urban development can be reduced gradually. Rural development improves rural life and reduces pressure on urban life.

### **12. Others**

Apart from these points, there are a number of ways that rural marketing can significantly contribute to economic and social development.

### **Scope of Marketing:**

The scope of marketing is as follows:

- Large population: According to 2011 census, rural population is 72% of total population and it is scattered over a wide range of geographic area.
- Rising rural prosperity: Average income level has improved due to modern farming practices, contract farming industrialisation, migration to urban areas, etc.
- Growth in consumption: There is a growth in purchasing power of rural consumers. The average per capita household expenditure is Rs. 382.
- Change in lifestyle: Lifestyle of rural consumer has changed considerably.
- Market growth rate higher than urban: The growth rate of fast moving consumer goods [FMCG] market and durable market is high in rural areas. The rural market share is more than 50% for products like cooking oil, hair oil, etc.
- Lifecycle advantage: The products which have attained the maturity stage in urban market are still in growth stage in rural market.
- Rural marketing is not expensive: To promote consumer durables inside a state costs Rs. 1 crore while in urban areas it will cost in millions.

### **Problems in Rural Marketing**

There are many problems to be tackled in rural marketing despite rapid strides in the development of the rural sector. Some of the common problems are given below.

- Transportation
- Communication
- Availability of appropriate media
- Warehousing
- Village structure in India
- Rural markets and sales management

- Inadequate banking and credit facilities
- Market segmentation in rural markets
- Branding
- Packaging

**Problems in organising Marketing Channels in Rural Market:**

- Multiple tiers add to the costs
- Non-availability of dealers
- Poor viability of the outlets
- Inadequate banking and credit facilities

**The 4 A's of Rural Marketing Mix:**

1. Availability
2. Affordability
3. Acceptability
4. Awareness

**Strategies in Rural Marketing:**

**Product Strategies:**

- Product Launch
- New Product Design
- Brand Name
- Small Unit Low Price Packaging
- Sturdy Products
- Utility Products

**Pricing Strategies**

- Differential Pricing
- Psychological Pricing
- Create Value for Money
- Pricing on Special Events
- Simple Packing
- Low Price Points
- Schemes for Retailers
- Bundle Pricing
- Credit Facilities, Discounts
- Value Engineering

### **Distribution Strategies**

- Local Markets
- Company Depots
- Public Distribution System
- Redistribution Stockists and Clearing Agents
- Delivery Vans, Traders, Sales Person, NGO

### **Promotion Strategies**

- Mass Media
- Personalised Media:
- Local Media
- Advertise Through Paintings

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