

Indian Rural Segment: Green Light for Marketing

Dr. Veeresh Kumar Sharma

Assistant Professor, Department of Commerce (Accounts and Law) Seth Phool Chand Bagla P.G. College
Hathras

Abstract

The hinterlands in India, is a country with nearly about 1.12 billion people of which 70% live in rural areas it means nearly more than 700 million people spread about 650,000 villages. A huge representation of Indian rural population comprises more than 11 percent of the world's population are going to trap by the companies in coming times. These rural consumers contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing to increasingly resemble the consumption patterns of urban areas.

There are customers sitting in far and wide corners of India waiting to be serviced. Making their products available to them is next big challenge before large FMCG companies. Due to the media explosion and increasing literacy levels, people in rural areas are becoming conscious about their lifestyles and demanding a better life with increasing disposable incomes, awareness of E-commerce and digital connectivity with rural population, using with high penetration of smart phones, credit cards, debit cards and online banking services the rural consumer has become more demanding.

This rural behavior in their purchase behaviour than ever before. These favourable changing of consumption trend as well as the potential size of the rural market in India provides a large and attractive investment opportunity to companies to saved Indian rural consumers. Some of India's largest consumer companies serve one-third of their consumers from rural India.

Key Words: Population, FMCG, Rural Market, Consumer, Gross Domestic Product, FDI, Social Class.

I. INTRODUCTION

Many market experts have called rural India market is the future of Indian business. Business in Indian rural market is optimistic about growth of the country's rural consumer markets and their consumption patterns. The rural market growth is expected to be faster than urban consumer markets.

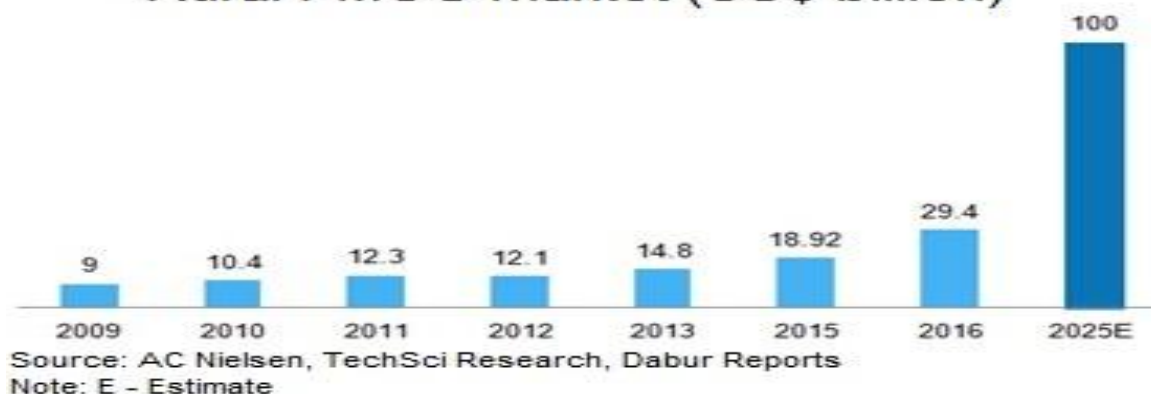
According to the third annual edition of Accenture Research, "Masters of Rural Markets: From Touch points to Trust points - Winning over India's Aspiring Rural Consumers," rural consumers are particularly aspiring or striving to purchase branded, high quality products. India's per capita GDP in rural regions has grown at a Compound Annual Growth Rate (CAGR) of 6.2 per cent since 2000. The Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is expected to cross US\$ 20 billion mark by 2018 and reach US\$ 100 billion by 2025@. The corporate world's efforts to reach this big but fragmented market have opened the gates of various opportunities for both the urban and rural masses.

The highlights to their tendency to seek information through many sources to be aware and get better information while making purchase decisions. The purchasing decisions of rural consumers are influencing due to change of their characteristics and wider reach of media, motivated by social media, easy contact with telecommunication and digital services, better coactivity with urban areas with increasing in their literacy level.

The rural consumers are not very much concern about the low price but involves in utility, aesthetics and features values of the products and services,. They are evolving towards a broader notion of value provided by products and services and not just low prices. Take the example of Trends and Expectation rural FMCG Market Report by McKinsey Global Institute forecasts the annual real income per household in rural India to rise to 3.6 per cent 2025, from 2.8 per cent in the last 20 years.

- The Fast Moving Consumer Goods (FMCG) sector in rural and semi- urban India is estimated to cross US\$ 100 billion by 2025.
 - The rural FMCG market is anticipated to expand at a CAGR of 17.41 per cent to US\$ 100 billion during 2009–25.
 - Rural FMCG market accounts for 40 per cent of the overall FMCG market in India, in revenue terms.
 - Amongst the leading big retailers generates over 40-45 per cent of its domestic revenue from rural sales. Small companies earn 30- 35 per cent of their revenues from rural areas.
- Another Market research firm Nielsen expects India's rural FMCG market to reach a size of US\$ 100 billion by 2025.

Rural FMCG market (US\$ billion)



Reason for the Green Lights to marketing companies for Rural Segment :

There are two broad reasons which support to marketing companies to serve the rural areas. These reasons are as follows:

- (a) Government Initiatives for Rural Development
- (b) Changing Characteristics of Indian Rural Consumers

(a) Rural India: Government Initiatives for Rural Development

The Indian government has been supporting the rural population with higher MSPs, loan waivers, and disbursements through the NREGA programme. These measures have helped in reducing poverty in rural India and have thus propped up rural purchasing power.

Government Initiatives

The Government of India has planned various initiatives to provide and improve the infrastructure in rural areas which can have a multiplier effect in increasing movements of goods, services and thereby improve earnings potential of rural areas subsequently improving consumption.

- The Government of India aims to provide tap water regularly to every household by 2030 in line with United Nations Sustainable Development Goals, requiring a funding of Rs 23,000 crore (US\$ 3.57 billion) each year until the target is met.
- The Government of India has approved the proposal to construct 10 million houses for the rural population, which will require an investment outlay of Rs 81,975 crore (US\$ 12.7 billion) for the period from 2016-17 to 2018-19.
- The Government has introduced various reforms in the Union Budget 2017-18 to uplift the rural markets. Some of the key highlights of the Budget are:
 - The Allocation for Pradhan Mantri Awas Yojana-Gramin has been increased from Rs 15,000 crore (US\$ 2.25 billion) to Rs 23,000 crore (US\$ 3.45 billion) in the year 2017-18 with a target to complete 10 million houses for the houseless by the year 2019.
 - The pace of roads construction under Pradhan Mantri Gram Sadak Yojana (PMGSY) has been accelerated to 133 kms per day as against an average of 73 kms per day during the years 2011-14.
 - Rs 187,223 crore (US\$ 28.08 billion) has been allocated towards rural, agriculture and allied sectors.
 - The allocation to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has been Rs 48,000 crore (US\$ 7.2 billion) in the year 2017-18, which is the highest ever allocated amount.
- In the Union Budget 2017-18, the Government of India mentioned that it is on course to achieve 100 per cent village electrification by May 1, 2018.
- The Government of India has sought Parliament's approval for an additional expenditure of Rs 59,978.29 crore (US\$ 8.9 billion), which will be used to support the government's rural jobs scheme, building rural infrastructure, urban development and farm insurance.
- Witnessing healthy FDI inflows over the years; in fact during 2001-13, FMCG accounted for 1.9 % of total inflows. Within FMCG, food processing was the largest recipient; its share was 46.8%. Top FMCG Companies in India of the top FMCG Companies in India Hindustan Unilever Ltd. Nestlé India Cadbury India ITC (Indian Tobacco Company) Asian Paints (India) Procter & Gamble Hygiene and Health Care AMUL Dabur India Britannia Industries Marico Industries.

- The Government of India is looking to install Wi-Fi hotspots at more than 1,000 gram panchayats across India, under its ambitious project called Digital Village, in order to provide internet connectivity for mass use, as well as to enable delivery of services like health and education in far-flung areas.

Recent Developments

Following are some of the major investments and developments in the Indian rural sector.

❖ India's unemployment rate has declined to 4.8 per cent in February 2017 compared to 9.5 per cent in August 2016, as a result of the Government's increased focus towards rural jobs and the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme.

❖ The Ministry of Rural Development is expecting to achieve its annual targeted length of 48,812 kilometers of rural roads by March 31, 2017 under the Pradhan Mantri Gram Sadak Yojana (PMGSY), which has reached a completion stage of 67.53 per cent (32,963 kms) as on January 27, 2017.

❖ The National Bank for Agriculture and Rural Development (NABARD) plans to provide around 200,000 point-of-sale (PoS) machines in 100,000 villages and distribute RuPay cards to over 34 million farmers across India, to enable farmers to undertake cashless transactions.

❖ Magma Fincorp, a Kolkata-based non-banking finance company (NBFC) plans to expand its operations in South India, with specific focus on rural and semi-urban markets to help the company grow rapidly.

❖ Bharti Airtel is applying for a payments bank licence and has involved Kotak Mahindra Bank as a potential investor in the venture, in a bid to tap significant revenue opportunities from the Reserve Bank of India's financial inclusion initiative. Payments banks are meant to fan out into the rural, remote areas of the country, offering limited but critical services such as money transfers, loans and deposit collection. While banks have the knowhow, telecom companies have the network, making it an ideal match.

(b) Changing Characteristics of Indian Rural Consumers

The rural marketing is moving much faster than before. The mindset of the rural consumer are influence by changing consumer characteristics, sharp customers together with changing competition and saturated market and more knowledge etc are giving a opportunity to the companies. These are some makeable characteristics of rural areas due to rural consumers.

Indian Rural Segment : Social Class Increase

The social classes of rural households are increase from decade. The lower and lower-middle classes of rural households are over 83 per cent in 1998- 99 but the number has fallen to 70 per cent in 2006-07. The comparative fall for urban India is from 53 per cent to 27 per cent according to NCAER data. The results show that social classes are increase in rural and urban areas. Number of middle class for rural sector is 27.4 million as compared to the figure of 29.5 million for urban sector.

Indian Rural Segment : Growth rate of Purchasing Power Increase : According to NSSO report, there was little difference between urban and rural households in the share of the budget allocated. Few example of category as below:

Category	Rural	Urban
fuel and light	10 per cent	9 per cent
clothing, including bedding and footwear	7 per cent	6 per cent

Budget allocation of the all categories of the households is mostly similar. This shows the growth rate of purchasing power of the rural areas is more than urban areas.

Indian Rural Segment : For 'Value-For Money' Products

The rural consumers' exhibit marked tendency to spend on premium high quality products which are backed by strong brand values across all income segments where they match to their own intention and quality needs. Therefore market is able to offer a premium product in the specific context of rural demand. The FMCG Market was growing at a rapid rate of 5.3 percent in India and the value of the industry stood at Rs. 48,000-crore in the In the year 2005.

Indian Rural Segment : Also Price- Sensitive

The rural consumers are also Price sensitive as the most of the consumers from the urban are price sensitive. Price sensitivity is the degree to which the price of a product affects rural consumers' purchasing behaviors.

Indian Rural Segment : Focus on good customer service

The rural people going to pay in offering than a competitor's similar offering, they need to know that they're getting some added value. They search the most efficient and reliable way to add value comes in the form of customer service. The rural people wants paying attention to things like online support, fast delivery, and convenient return and exchange policies. This will help to companies to served more in the rural markets.

Indian Rural Segment : is more than Agriculture

Rural India means peoples involve in agriculture but now scenario is changed. Nearly 40 per cent of rural households are landless. Therefore In rural India, peoples are engaged in non-agricultural activities also. They are working in manufacturing, as traders, shopkeepers, construction, mining and quarrying, carrying and transportation, providing services such as electricity generation etc. 50 per cent of the remaining are marginal farmers and very less percent of remaining are Large farmers of the rural population. In 2007, by NCAER estimates.

Indian Rural Segment : Faster Growth

The growth of rural market is faster now. A FICCI survey indicated that rural market is growing faster than the urban market. As per Survey point, that the growth of consumer durables was nearly 12 per in 2008. The rural market, which accounts for nearly 70 per cent of the total number of households, saw 25 per cent annual growth. In the same times the urban consumer durables market grew at 7 to 10 per cent. Seventy per cent of India's population, 56 per cent of its income, 64 per cent of its expenditure and 33 per cent of its savings come from rural India. It is time we did better than just 'assume' what these people desire, detest, appreciate and expect.

Indian Rural Segment : Growth of the FMCG Sectors in Higher Incomes

An important thing about the rural India rising income is growing appetite for premium products, primarily in their segment. Accordingly to CAGR Per-capita income in the India is expanded at 12.5 % over 2001-11. Strong income growth is set to continue in future as well: IMF forecasts point to a CAGR of 8.8 per cent over 2012- 17 to USD 2,428.5.

Indian Rural Segment : Strong Networks

Due to the media explosion and increasing literacy levels, people in rural areas are becoming conscious about their life. E-commerce and digital connectivity with rural population, using with high penetration of smart phones, credit cards, debit cards , online banking services and well connected with the urban areas therefore rural consumer has become more demanding. The strong networks will help the company to distribute their products. .

Indian Rural Segment : Growing Awareness and Access

Due to growing awareness and easy to access has meant growing consumer spending in retail stores. Spending at retail stores in India shot up by 31 % in 2011 compared to the previous year. Retail has shot nearly USD 5 billion in 2015 from USD 1.8 billion in 2011.

Indian Rural Segment : Healthy FDI Inflow

Now the government is much concernIn the context of foreign direct investment,, An FDI may provide some great advantages for the MNE and people get better products.. Ideally, there should be numerous advantages for both the MNE and the rural people of India.

The sector has been witnessing healthy FDI inflows over the years; in fact during 2001-13, FMCG accounted for 1.9 % of total inflows. The share was food processing is 46.8% which was the largest recipient within FMCG.

II. Conclusion : Road Ahead

The rural regions are already well covered by basic telecommunication services and are now witnessing increasing penetration of computers and smart phones. 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.

Rural regions are also expected to embrace off line as well as online purchases as is the trend of urban India. Rural customers are purchasing digitally more as compare before. Number of survey also support that the rural segment is the ready to capture by the companies.

This scenario, rural segment may be possible by the changing purchasing habits and characteristic of rural peoples and served by the companies and big supported by the government.

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