



## 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. 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.

### 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 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 agricultural marketing 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.

#### 1.3 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.

#### 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 respect 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.

### 1.9 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.
- 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.
- 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.

### 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.

**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.

**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.

### 1.12 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. 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.
- d. The efficient marketing is predominantly influenced by efficient distribution system it means products such ultimate consumer in the quickest time possible at minimum cost.

### 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. 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 of interest of rural consumer.

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