

## ***Study Material***

Class - B. Com Hons Sem VI

Subject Code – BCH- 6.2

Subject – Principles of Marketing

Topic – Rural Market in India - Part 3

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Learning outcome from this study material:

- Significance of rural market
- Reasons for increase in the importance of rural market

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### **Rural Marketing in India – Significance of Rural Markets**

Every sales executives today if asked which market he would prefer to serve, the immediate answer would be “Rural Markets”. A number of factors have been recognised as responsible for the rural market boom.

#### **Some of them are:**

1. Population Increase- Increase in population, and hence increase in demand. The rural population in 1971 was 43.80 crore, which increased to 52.50 crore in 1981, and 72 crore in 1994 and it is about 78 crore in 2000 and so on.
2. Addition in the Rural Increases- A marked increase in the rural income due to agrarian property.
3. Development of Villages- Large inflow of investment for rural development, programmes from government and other sources.
4. Development of Educational Facilities- Increase in literacy and educational level among rural folks, and the resultant inclination to lead sophisticated lives.

5. Increasing Contract- Increased contract of rural people with their urban counterparts due to development of transport and a wide communication network.
6. Role of Foreign Goods- Inflow of foreign remittances and foreign made goods into rural areas.
7. Prosperity- The general rise in the level of prosperity appears to have resulted in two dominant shifts in the rural consuming systems. One is conspicuous consumption of consumer durables by almost all segment of rural consumers, and the second, the obvious preference for branded goods as compared to non-branded goods of rural origin.
8. Change in Buying Behaviour- Changes in the land tenure system causing a structural change in the ownership pattern and consequent, changes in the buying behaviour.

### **Reasons for increase in the importance of rural markets**

#### **a) Cut Throat Competition in Urban Markets:**

Now-a-days people say that there is lot of competition in the market. Actually it is not only lot of competition but cut throat competition, especially in the urban areas. Companies are playing on the basis of price. Every big company is trying to swallow the small and new companies. Prices are going down steeply just because of the tough competition.

Apart from the price factor, companies have started increasing product features and added value to their products to compete in the market, without increasing the prices. The concept is increase the utility and value and decreases the prices. Irrespective of the above facts, there are certain products which have already achieved the maturity level or have reached the saturation level. Demand is not increasing in these sectors so the best strategy is to explore new markets for the products.

So rural marketing is turning out to be a market for the packaged products with a minimum or no competition. Firms can generate demand and increase profits.

**b) Socioeconomic Changes:**

Today a revolution has come in the rural areas which in turn have brought a change in the socio-economic conditions. This is basically in terms of increase in the productivity of the agriculture. Most of the income of people residing in rural areas comes from agriculture. Due to the adoption of the latest technology the yield per acre or animal has increased considerably.

One of the major reasons behind these changes is the Government Policies to uplift the agriculture and remote areas, and the opening of the cooperatives in some major belts of India. Because of adoption of latest technology, production has increased which has resulted in the increase in income of farmers. Due to increase in income the rural customer also wants to be in the same frame as the urban customer.

Urge for increasing income and better standard of living by the rural customers has motivated the companies to go and spread their business activities in these areas. Some fertilizer companies have started adopting villages for increase in their production. Some companies have taken it as a social cause for the upliftment of remote areas. Integrated rural development programs encompass health, education, latest technology farming products sales, development of industry etc.

Another reason for this change is the media which has reached in the rural areas. Specially Television has brought a revolution in this area. Today we have so many regional channels. Customer can be made aware of the latest products, their utility, new brands, etc. With the increased income and aspiration for standard of living, with this kind of awareness provided by the media, the companies are motivated to go and take charge of the rural areas.

**c) Scope and Size of Rural Market:**

Today the size and scope of rural market is increasing at a very fast pace. A major part of Indian population lives in the rural areas which are now turning as a new market. Now the rural market is not limited to the sale of fertilizers and pesticides but it is going beyond that with the increase in the income and the aspiration level.

Urge for good standard of living has opened the rural market as an opportunity for the companies to come and grab the market. Now in rural areas also there is a demand for TV, Cars, Shampoo, packaged goods etc.

**d) Occupation:**

Most of the rural customers are engaged in farming, trading, poultry work, plumbing, electric works, dairy, etc. We have different varieties of the occupation in the rural areas. In rural areas also big farmers usually possess almost everything like TV, fridge, furniture, and other home appliances etc. of the major brand. Small farmers have scarcity of resources and funds etc. so there is no question of possessing almost any branded products, specially costly products.

**e) Reference Groups:**

In rural areas there are totally different reference groups. Any person who is having a say in their area, a respect in the society and a place in the hearts of the residents form a reference group. Higher the profile and requirement of these people in the society, higher will be their influence on them. They are basically health workers, doctors, teachers, panchayat members, local bodies, samiti members, bank managers etc.

**f) Media Types:**

Now-a-days televisions, presentations, display, radio etc. has taken the place of old traditional folk programmes like 'Nautanki'. Because of the literacy rate being so low, print media is not so effective.

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