

Impact of Globalization on Rural Marketing

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ABSTRACT

More than 60 years of independence have passed but the citizens of rural India still dream for the promises on rural development to get fulfilled. India has more than 6,30,000 villages, housing two-third of its people, earning one-fourth of the national income. There are 47,000 rural hats in India which exceeds the total number of retail chain stores in the U.S. (35,000), the rural share in both FMCG and durable categories has grown beyond 50% from 25% in the 1980s.

"Rural marketing is real marketing". The rural bazaar is booming beyond everyone's expectation. This has been primarily attributed to a spurt in the purchasing capacity of farmers now enjoying an increasing marketable surplus of farm produce.

Rural marketing in the Indian 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 behavioural factors operating in the country. The rural population is around 833 million, which is 68.83% of the total population.

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 the Indian economy generates almost more than half of the country's income.

In 1991, the government of India decided to open the country's economy to the outside world, which resulted in several multinational firms entering India. After economic reforms, the environment of rural marketing is changing rapidly.

I OBJECTIVES OF THE STUDY

1. To study the need and importance of rural marketing in the Indian economy.
2. To study the role of rural marketing in the development of the rural economy.
3. To analyse the impact of 'Globalization' on rural markets.
4. To identify the challenges of rural marketing in global India.

II METHODOLOGY

The analytical method used in this study is with the help of secondary sources.

Rural marketing:

Rural marketing involves the process of developing, pricing, promoting, distributing rural specific product and a service leading to exchange between rural and urban market which satisfies consumer demand and also achieves organizational objectives. The Indian rural market with its vast size and demand base offers great opportunities to marketers. Two-thirds of the country's consumers live in rural areas and almost half of the national income is generated here. It is only natural that rural markets form an important part of the total market of India. It is clear indication that the rural markets offer the great potential to help the rural development of the economy which has reached the plateau of their business curve in urban India to bank upon the volume-driven growth.

As a result of growing affluence, fuelled by good monsoons and the increase in agricultural output to 200 million tonnes from 176 million tonnes in 1991, rural India has a large consuming class with 41% of India's middle-class and 58% of the total disposable income. The importance of the rural market for some FMCG i.e. 'Fast Moving Consumer Goods' and durable marketers is underlined by the fact that the rural market accounts for close to 70% of toilet-soap users and

38% of all wheeler purchasers. The rural market accounts for half the total market for TV sets, fans, pressure cookers, bicycles, washing soaps, blades, tea, salt and toothpowder. Rural India buys small packs, as they are perceived as value for money. There is brand stickiness, where a consumer buys a brand out of habit and not really by choice. Brands rarely fight for market share; they just have to be visible in the right place. Even expensive brands, such as Close Up, Marie biscuits and Clinic shampoo are doing well because of deep distribution, many brands are doing well without much advertising support -- Ghadi, a big detergent brand in North India, is an example.

III IMPACT OF GLOBALIZATION

The impact of globalisation will be felt in rural India as much as in Urban. But it will be slow. It will have an impact on target groups like farmers, youth and women. Farmers, today 'keep in touch' with the latest information and maximise both ends. Animal feed producers keep their cell phones constantly connected to global markets. Price movements and product availability in the international market place seem to drive their local business strategies. On youth its impact is on knowledge and information and while on women it still depends on the socio-economic aspect. The Indian rural market with its vast size and demand base offers a huge opportunity that MNC's cannot afford to ignore. To expand the market by tapping the countryside, more and more MNC's are foraying into India's rural markets. Among those that have made some headways are Hindustan Lever, Coca-Cola, LG Electronics, Britannia, Standard Life, Philips, Colgate Palmolive and the foreign invested telecom companies.

FMCG (Fast Moving Consumer Goods)

Rural consumers spend around 13% of their income, the second highest after their food (35%) on fast moving consumer goods, as per RMAI study. The FMCG industry in rural markets of India accounted for a robust 57% share of the total FMCG market in India.

Retail

The rural market is currently estimated at around 40% of the total retail market. Major domestic retailers like AV Birla, ITC, Godrej, Reliance and many others have already set up farm linkages. Haryali Kisan Bazars (DCM) and Adhaars (Pantaloon- Godrej JV), Choupal Sagars (ITC), Kisan Sansars (Tata), Reliance Fresh, Project Shakti (Hindustan Unilever) and Naya Yug Bazar are established rural retail hubs.

Pharmaceuticals

According to a report by McKinsey, the rural and tier-2 pharma market will account for almost half of the growth till 2015. The tier-2 market will grow to 44% by 2015. The growth will be further augmented with the government allocating U.S. \$ 2.35 billion for National Rural Health Mission (NRHM) in the interim budget 2009.

Telecommunications

A Gartner forecast revealed that Indian cellular services revenue will grow at a compound annual growth rate (CAGR) OF 18.4% BY 2011, with most of the growth coming from rural markets. Also, a joint Confederation of Indian Industries (CII) and Earnst & Young report reveals that of the 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.

Automobiles

Passenger car and two-wheeler companies are driving on rural roads to push sales. While growth in urban markets has been flat or negative, the rural markets are booming, insulated from economic downturn. Rural markets share in Maruthi's overall sales during April 2008-January 2009 has gone up to 8.5% from 3.5% in the same period last year. Mahindra & Mahindra is also bullish on the rural and semi-urban markets, with its utility vehicle, Scorpio clocking 60-65% sales from the rural markets as against 20% earlier. TVS Motor also registered around 50% of its sales from the rural and semi-urban markets.

Consumer Durables

A survey carried out by RMAI has revealed that 59% of durables sales come from rural markets.

Many leading consumer durable companies are now increasing their presence in rural India. LG has set up 45 area offices and 59 rural and remote-area offices. 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.

Road Ahead

Rural markets are growing at double the pace of urban markets and for many product categories, rural markets account for well over 60% of the national demand. A number of companies in FMCG, consumer durables as well as the telecom sector have adapted strategies to expand their base in the rural market. Among those who have already taken remarkable initiative in the rural market are HLL, Colgate, LG Electronics, Philips, BSNL, LIC, Cavin care, Britannia and Hero Honda.

IV CHALLENGES IN RURAL MARKET

The development of the nation largely depends upon the development of the rural population. While there is a large growth in the urban market, the rural or latent market is yet to be tapped, and has an enormous potential for growth. But there are lots of challenges faced by corporates in rural marketing. The marketers operating in rural market are facing a number of challenges which include:

1. Low literacy rate with traditional outlook of rural consumers due to which they are resistant to change. Their buying decision is low and delayed.
3. Demand in rural market depends on the agricultural situation as it is the main source of income. Again, agriculture depends on the monsoons. So, buying the capacity of rural

consumers varies and it is difficult to predict demand.

1. Lack of infrastructure facilities and retailers pushing imitations or fake products in place of branded ones for better commission.

3. Communication problems and problems related to distribution and channel management.

The scenario of rural marketing changing slowly to face these challenges and importance is given to the needs of rural consumers. Hence it is important to understand the 4Ps of rural marketing with respect to a rural consumer. Product; Pricing; Placement or distribution & Promotion

V CONCLUSION

Rural Marketing in simple words is planning and implementation of marketing functions for rural areas. Rural marketing has been defined as the process of developing, pricing, promoting, distributing rural specific products and services leading to exchange between urban and rural markets which satisfies consumer demands and also achieves organizational objectives.

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