

## A STUDY ON MARKETING CHALLENGES FACED BY RURAL AREAS

**M.VAMSHIDHAR GOUD (MBA)**  
**STUDENT OF MALLA REDDY UNIVERSITY**  
**MAISAMMAGUDA**  
**HYDERABAD-500100, TELANGANA.**

**Dr.CH. LAKSHMI NARAHARI**  
**ASSISTANCE PROFESSOR**  
**SCHOOL OF MANAGEMENT**  
**MALLA REDDY UNIVERSITY**

---

### ABSTRACT

The study of this research is to understand the rural market, importance of rural marketing and status of rural market. The main aim of this research is about studying the challenges of marketers in rural areas and identifying the possible opportunities for marketers to grow the market in these areas. Rural areas, where 12 percent of the world population is residing, are witnessing enormous growth in their incomes and crucial shift in consumer behavior. Consumer preferences in rural markets have shown a paradigm shift over last few years. Their consumption basket looks very similar to that of urban counterparts. Premium products are replacing basic versions and brands are making their presence felt. Market estimates that the FMCG market in rural India will mark US\$ 100 billion by 2025, from the current level of US\$ 12 billion. Lack of education, financial problems, insufficient technical and conceptual ability it is too difficult for the rural entrepreneurs to stabilize industries in the rural areas. This research finds out the opportunities and challenges for the potentiality of rural marketing.

Key word: Rural Market, Challenges and Opportunities of Rural Market, Rural Consumers

### INTRODUCTION

Marketing refers to any actions a company takes to attract an audience to the company's product or services through high quality messaging. Marketing aims to deliver standalone value for prospects and consumers through content, with the long-term goal of demonstrating product value, strengthening brand loyalty, and ultimately increasing sales.

Marketing is a process in which a marketer does many jobs related to product such as pricing, promoting, and distributing of specific goods and services leading to desired exchange with rural and urban customers to satisfy their needs and wants.

Out of total population 1,411 million, rural areas consist of 905 million as of 2022 census. Before 1960s rural marketing merely referred to the marketing of rural products in rural and urban areas and agricultural inputs

in rural markets. Later after 1960s to 1990s green revolution changed many poverty-stricken villages into prosperous business centers through many agricultural inputs and implements. After the mid-1990s industrial sector has gained strength and maturity. Rural market progressed socially and economically and emerges as a new market; rural marketing in Indian economy is the market for consumer goods and that comprise of both durable and non-durable goods and market for agricultural inputs that include fertilizers, pesticides, and seeds and so on.

The rural market environment is different from urban market. Consumer of urban and rural areas have different mindset therefore, their habits, tastes, values, uses, and preferences are different to each other. If a product does good in urban market doesn't mean the same product will be successful in rural area too. Lack of understanding and awareness about consumer behavior in rural markets create problem in formulating marketing strategies. The research methods to measure perception, attitudes and behavior in rural markets vary from the methods applied in researching urban markets. The rural markets dominate Indian marketing scene and need special attention for the expansion of marketing activities and providing better life and welfare to the rural people (Ahmed, 2013).

Rural marketing involves a bunch of processes that includes developing, pricing, promoting, distributing rural specific product and service which satisfies the consumer demand and achieves organizational objectives as expected from the target market. It is basically a three-way marketing stage where the transactions can be

- *Urban to rural* – It is a process of selling the products and services by urban marketers in rural areas. These products mostly include pesticides, FMCG products, consumer durables, etc.
- *Rural to urban* – It is a process where a rural producer sells his products in urban market. This may or may not be direct, but mostly there are middleman, agencies, government cooperatives etc. who take initiatives in the successful running of the selling process happen successfully in an appropriate price.
- *Rural to rural* – It is a process which includes selling or exchange of agricultural products, tools, cattle, carts, and others to another village in its proximity.

## Literature review

Rowley. J (1998) states that promotion is considerable investment. Promotion is the major 'P' of marketing mix. He said that if marketer promotes the product well than there are chances in increment of sales in both urban and rural area.

Sun. T& Wu. G (2004) states that rural and urban consumers have dissimilar attitudes towards marketing. They use different products for better lifestyle. These different lifestyles create potential for marketers for better opportunity.

Chan. K (2008) in his study explains that rural respondents take advertisements on television truthful rather than urban respondents. He finds that way of getting knowledge about new product is television. Television is more credible in rural areas than urban. His study provides evidence that rural children are not aware about brands. They trust brand more than urban consumers. Then marketers should explore the market to convert this brand trust into brand loyalty.

Ahmed. A (2013) emphasized in his study that rural area provides a great opportunity to marketers. Condition of rural area is change day by day, so marketers should focus on their marketing strategy to do better in highly populated area. He said that price of the product is the biggest hurdle for the failure of product in rural area and marketers should focus on pricing strategy. He also states that direct selling of product is successful tool of promotion in rural areas. Rural consumers are also brand conscious, but cash flow is the biggest problem there. So, marketer makes their strategy by considering all the above factors in their mind.

Kumar. P& Dangi. N (2013) state that there is huge opportunity in rural market. A bigger part of population lives in rural area in India. So rural areas have many untried opportunities for marketers. They said that rural area is developing now-a-days with the help of some technology in marketing companies can earn huge profits from rural area.

Rani & Srivastav, (2014) In the study the researchers it is found that when communicating with the consumers of the rural segment we need to generate awareness and demonstrate to them for their better understanding. For resolving the transportation distribution challenges companies need to make vans as a medium of transportation, and need sales people willing to work in areas which are remote for better penetration.

Singh, (2017) Rural marketing in India and several other developing economies is ever growing and complex to understand. Its suggested by the author to enhance the understanding of the rural consumer of the product being sold to them, Rural markets do not have ever growing fast paced trends and what influences their buying behaviour is the brands awareness and presence in a market. Before launching a

product, its advice that any brand tests and executes its product on a trial basis for a better understanding and to measure how the audience responds.

Naidu, (2017) The 4As model of rural marketing has been a more consumer-oriented approach towards understanding the rural consumer, the 4As of Rural Marketing are an effort for sustainability in the rural markets, this model is more suitable and successful for rural markets. For acceptance the products need to be of good quality high value and of maximum utility in a rural environment. The rural customer is concerned over the pricing of the products as they do not earn equally to their urban counterparts hence need to be able to afford products for their maximum value and minimum price available. Awareness should be done with keeping in mind the rural perspective and their point of view, and acceptability means to introduce distribution methods whose implemented along with the help of rural consumers can be successful is benefiting the consumers as well as the companies.

## Objectives

- To study the challenges faced by marketers in rural areas.
- To identify opportunities to overcome challenges by marketers in rural areas.
- To study the market status of rural areas.

## Challenges in rural market

There are various challenges that hinder the progress of rural market. Marketers face several problems like physical distribution, logistics, no proper and effective sales force, and no effective marketing communication when they enter the business of rural markets.

- **Standard of living** – A large part of the population in rural areas lies below poverty line. Thus, the rural market is also underdeveloped, and the marketing strategies have to be different from the strategies used in urban marketing.
- **Many languages and diversity in culture** – Factors like different behavior and language of every respective area increases difficulties to handle the customers. The sales force is required to match the various requirements of the specific areas according to their culture.
- **Low per capita incomes** – in rural markets, agriculture is the main source of income and hence expense capacity depends upon the agricultural produce. Demand may or may not be stable.
- **Transportation and warehousing** – Transportation and supply chain management are the biggest challenges in rural markets. As far as by road transportation is concerned about 50% of Indian villages are connected by roads to the nearest big cities. The rest of the rural markets do not have proper road linkage to other cities which causes problems in physical distribution. Warehousing is another major

problem in rural areas, as there you will hardly get any organized agency to look after the storage issue. The services given by central warehousing corporation and state warehousing corporations are limited only to urban and suburban areas.

- ***Ineffective distribution channels*** – The distribution chain is not organized and also requires a large number of intermediaries, which in return increases the cost. Due to lack of appropriate infrastructure, manufacturers are giving back steps to open outlets in these areas. That is why they need to dependent on dealers, who are rarely available for rural area which increases the challenges for marketers.
- ***Prevalence of spurious brands and seasonal demand*** – For any branded product, there are a multitude of local variants, which are cheaper and hence more desirable. Also, due to illiteracy, the consumer can hardly make out a spurious brand from an original one. Rural consumers are cautious in buying and their decisions are slow, they generally give a product a trial and only after complete satisfaction they buy it again.
- ***Different way of thinking*** – There is a vast difference in the lifestyle of the people. The choice of brands that an urban customer enjoys is not available to the rural customer, who usually has two or three choices. As such, the rural customer has a fairly simple thinking, and their decisions are still governed by customs and traditions. It is difficult to make them adopt new practices.

## **Opportunities in rural market**

Rural markets are growing at a rapid pace than ever in India. Showcasing a growth rate of 25% more than their urban counterparts. According to recent estimates, consumption in rural areas is growing at 1.5 times the rate in urban areas, and the consumer goods market in rural India is expected to reach around \$100 billion by 2025.

- ***Unique distribution strategy*** – Establishing cost effective ways to deliver goods to rural dwellers is the vital measure to succeed in these markets. Distribution occupies the key focus area for smart companies even before identifying and approaching target customers. They are using various strategies to extend their distribution networks into the countryside.
- ***Increase in literacy rate*** – Literacy rate in rural areas is increasing. There are more graduates in rural than in urban India. This brings social and cultural changes in buying behavior of the rural customers and more aware about national and international brand. In this way graduates become high purchasing power and prefer to buy various branded products.
- ***Effective rural distribution and sales*** – scarcely populated areas with good roads are served by vans that bypass distributors and supply products to retailers directly. The retailers use mobile technology to order appropriate stock for their local customers, and the vans make regular visits up to three times

a week. Still smaller and less accessible micro markets are served by two or three wheelers. The drivers deliver one, two or three times weekly to retail kiosks that generally carry goods in small sizes for lower prices. In this way a major corporate increases exposure for its products in highly remote areas and creates demand. Companies are investing considerable resources in detailed market surveys to identify promising clusters with sufficient demand to bolster profits quickly.

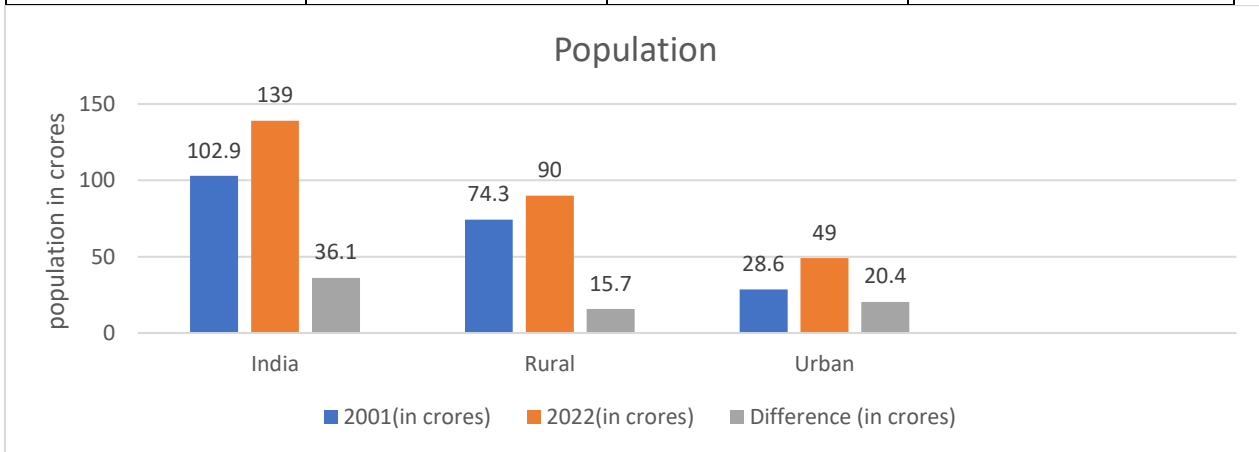
- **GIS mapping** – Companies use sophisticated technologies to build a comprehensive and multidimensional picture of prospect markets. GIS mapping makes it possible to combine and analyze a wealth of information; demographic data from government sources and private sector; physical indicators of community wealth, such as post offices, bank branches, schools, and hospitals; and data on different groups' values, attitudes, and behavior.
- **Strong relationships with rural channel partners** – Building strong relationships with capable channel partners becomes extremely important. Positive engagement helps successful companies develop valuable partners, retain them, and keep them motivated. Since to a larger extent, rural residents base their purchase decisions on mutual trust.
- **Word of mouth; teaming up with influencers** - Gaining the trust of respected teachers, health care professionals, and others with high standing in the community can reinforce marketing messages. In rural India, word of mouth plays a strong role in branding brands, far more so than in urban markets.
- **Well-structured organizations to serve rural markets** – An organization structure with either a central unit or regional units dedicated to rural sales mechanisms to develop employee support is essential. Companies successful in reaching, acquiring, and retaining rural customers tend to have certain organizations and management practices in common. Highlighting rural initiatives in internal newsletters, at conferences, and in the broader media communicates the value of rural markets to the company. The development of local talent is something of immense value and all leading companies never fail to encourage their frontline employees by inviting them to their headquarters and rewarding them for their endeavours in rural markets.

These are some of the proven ways aspiring brands can adopt to penetrate the rural markets in India. The opportunities are unlimited though the competition is tough, the brand succeeds in portraying itself as a genuine product or service provider will gain its share across rural markets in India.

## Data interpretation and analysis

### 1. Share of rural in total population

	2001(in crores)	2022(in crores)	Difference (in crores)
India	102.9	139	36.1
Rural	74.3	90	15.7
Urban	28.6	49	20.4

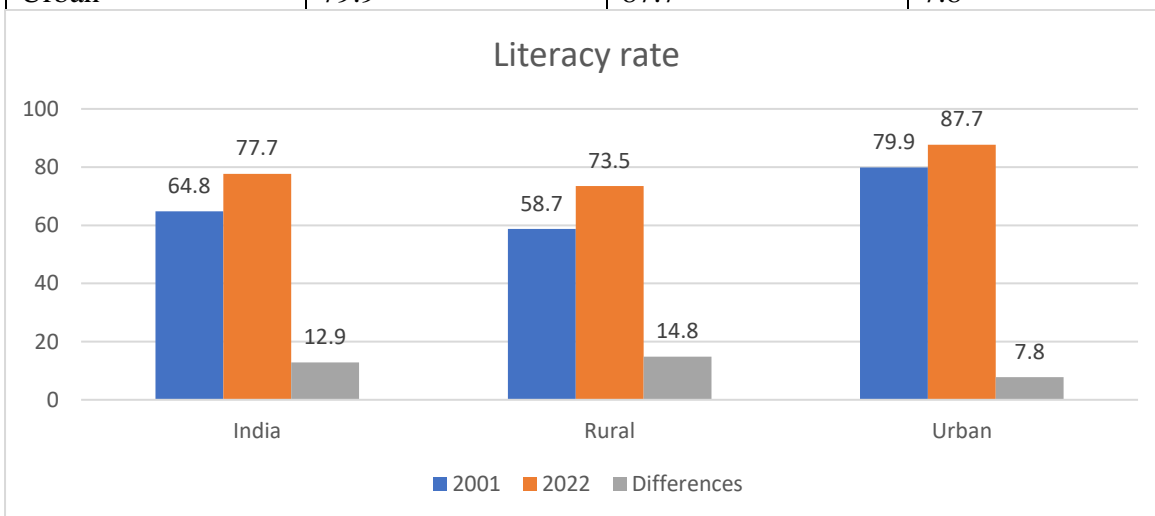


Source: census of India 2022

The above table shows that the share of rural in the total population of India. Rural population has been increased by 15% from 2011 to 2022 and comprise of 900 million people as compared to 490 million people in urban area which shows greater opportunities for marketers.

### 2. Share of rural in Literacy rate

	2001	2022	Differences
India	64.8	77.7	12.9
Rural	58.7	73.5	14.8
Urban	79.9	87.7	7.8



Source: census of India 2022



The above table shows that the share of literacy rate in India. Rural literacy rate has been increased by 14.8% from 2011 to 2022 and comprise of 73.5% people as compared to 58.7% people in urban area which shows greater opportunities for marketers.

### 3. Rural share in demand for consumables

Year		Two wheelers (in lakhs)	Televisions (in crores)	Other white goods	Low-cost goods
2001-02	Rural	1.6	6.4	1439	45139
	Urban	2.2	5.3	4585	29971
2009-10	Rural	4.4	7.7	3122	88607
	Urban	4.8	9.7	10028	55908
2021-22	Rural	5.3	11.92	17942	98505
	Urban	6.7	10.89	28358	85405

Source: The Great Indian Market, National Council of Applied Economic Research.

From the above table rural areas are having high demand for consumables as compared to the urban areas. From the past 2 decades there is gross demand in two wheelers, televisions, other white goods and low-cost goods. This shows that the consumers demand in the products are increasing day by day, which gives the opportunities for marketers.

### 4. Comparison of rural and urban in sales of branded goods



Source: Rural races ahead of urban on sales of branded goods | Mint (livemint.com)

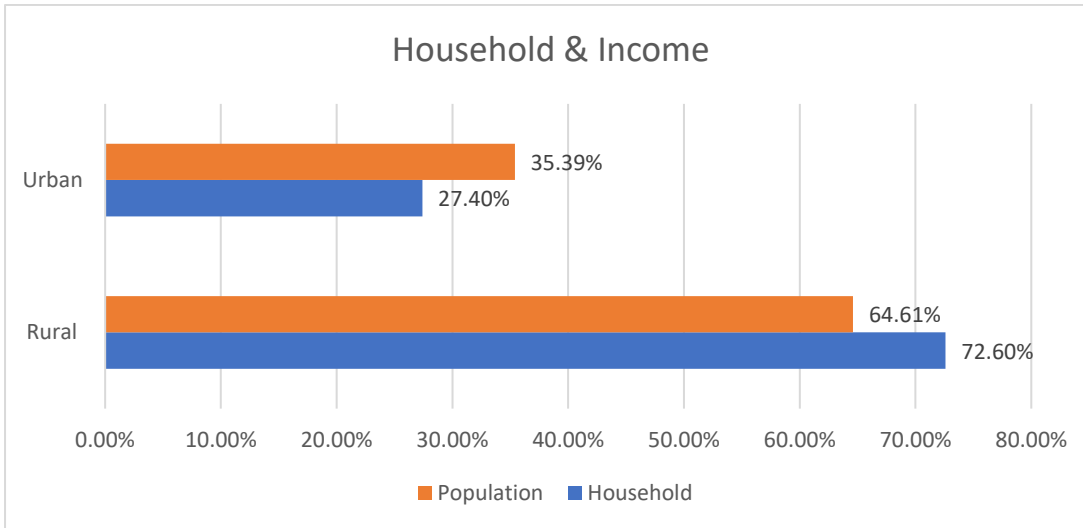
From the above diagram rural and urban areas are compared in usage of branded goods. After the pandemic stage rural and urban areas started growing in sales of branded goods. These made the change in market conditions of rural areas.



5. Distribution of household and income in rural market

Area	Household	Population
Rural	72.60%	64.61%
Urban	27.40%	35.39%
All over India	100%	100%

Source: Indian Urban Market, Rural Consumer Market, Urban Market In India - Fibre2Fashion



Indian Rural market is growing at 3 – 4% every year, adding more rural consumers every year. Increasing in income level, and awareness created by electronic media have altered the rural customer, making him seek better life quality. Now most of the rural customers are aware of various brands and prefer shopping according to their own preferences.

**Conclusion**

The study concludes that rural India offers huge opportunities which companies can tap for their growth and development. However, companies face many challenges in tackling the rural markets. Many opportunities are available in rural India, but marketer unable to tap these opportunities because of lack of infrastructural facilities. Now a days literacy in rural area increasing and number of middle- and higher-income household in rural India are growing. With some technologies breakthrough in distribution and marketing of products in rural India, companies in rural market can make more profits, market share, etc. The rural market is a greater future prospect for the marketers and there are many opportunities available for them in rural markets.

## References

- Ahmed,A.,(2013).Rural marketing strategies for selling products & services: Issues and challenges. Journal of business management and social sciences.
- Chan, K., (2008). Chinese childrens perceptions of advertising and brands:AN urban and rural comparisons.journal of consumer marketing 25(2),74-84.
- Rowley,J.,(1998).Promotion and marketing communications in the information marketplace.47(8),383-387. Rural Areas: Microlevel Information and Policy Implications. International Food
- Sun,T., & Wu,G., Consumption pattern of Chinese urban and rural customers. Journal of consumers marketing 21(4),245-253.
- Kumar,P., & Dangi.,N.,Rural marketing in India ; challenges and opportunities. International journal of management and social sciences research 2(8).
- Rani, P. & Shrivastav, N. (2014, Aug). Rural marketing in India. International Journal of Research (IJR), 1(7).
- Singh, S. P. (2017, Jan). Marketing in rural India: Opportunities and challenges. Journal of Advanced Management Science, 5(1), 53-56.
- Naidu, A. (2017). Strategies for marketing to the rural customer in India: The 4 as model of rural marketing. Journal of Rural and Industrial Development