

A KEY INFLUENCER OF RURAL MARKET POTENTIAL - CONSUMER BEHAVIOUR

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ABSTRACT

The rural marketplace in India is getting more attractive day by day and the stagnation of sales in the urban markets is forcing marketers to go rural. The rural markets offered a huge potential to the business houses because of their enormous spread and rising consumer demands. Around the world, over 4 billion people survived in rural areas that came to more than 60 percent of the total population. As per the 2001 census, 72.22% of people live in more than 5,50,000 villages in India. The causes of growth, attractiveness in the rural market are important factors to be considered in rural market research. This paper analyzes the various aspects of rural market that create a larger market potential for companies who wish to enter the market.

Key words: Consumer Behaviour, Rural Markets

INTRODUCTION

The rural marketplace in India is getting more attractive day by day and the stagnation of sales in the urban markets is forcing marketers to go rural. As per the 2001 census, 72.22% of people live in more than 5,50,000 villages in India. The Indian rural population has an estimated number of 115 million households which is more than 68.01% of the total households of the country (Wikipedia, 2007). In such a scenario, even a fraction of the rural consumers is a big market to generate revenues and profits. It is now an established fact that rural markets are growing in India. As has been shown by Parameswaran (2008), while in 1998-99 over 83% of rural households fell in the lower and lower middle classes, the number has fallen to 70% in 2006-07; the comparative fall for urban India is from 53% to 27%. And if experts are to be believed, the number is set to fall at a rapid rate over the next 20 years. The upward economic mobility of the huge village population is an opportunity no business can afford to miss. Coupled with that, stagnation of sales in the urban market and cut-throat competition are forcing marketers to shift their focus towards rural markets.

THE RURAL MARKET SCENARIO

The rural markets offered a huge potential to the business houses because of their enormous spread and rising consumer demands. Around the world, over 4 billion people survived in rural areas that came to more than 60 percent of the total population. In India also, the ratio of rural to urban population was slightly higher than the world's ratio with 70 percent of them living in rural areas. They domiciled in nearly 6,27,000 villages spread over 3.2 million sq. km. This growing affluence along with good monsoon and the increased agriculture output, increased the total disposable income of rural consumers to 58 percent with two-third of middle income households being in the rural market. About 40 percent of the graduates coming out of Indian Universities were from rural areas.

As they are eager to earn more and live better, their aspirations are similar to the urban youth. It is predicted by industry analysts that by 2009 – 10, the urban households are projected to grow by 4 percent while rural households are expected to grow by 11 percent. If the rural income rose by 1%, then the buying power would correspondingly increase by about Rs. 10,000 crore. The colour televisions, refrigerators, air-conditioners and microwaves have become a household sight in villages and small townships that was long thought of as a luxury and domain of urbanites. However, rural India had its own set of problems like illiteracy, early childhood marriages, lack of access to birth control measures, poverty etc., that were interdependent on each other. There are also large numbers of daily wage earners

and most of the people depended on vagaries of monsoon. Inadequate infrastructure like non-availability of gas supply, frequent power cuts, improper sanitary conditions, inaccessible areas were the other common sight of rural areas.

Some of the important causes for the growth of rural markets are –

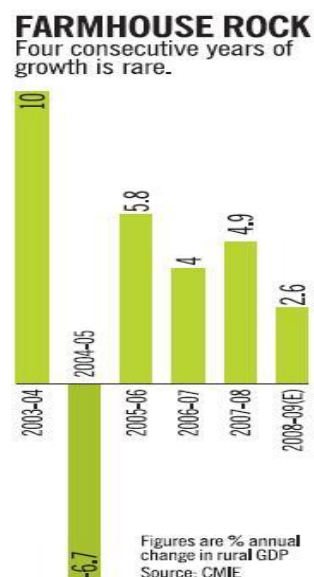
- * The rise in disposable income of the rural families
- * The economic boom
- * Timely rains
- * Rural population involved themselves in business other than agriculture
- * Increase white-collar jobs in nearby towns
- * Commercialization of agriculture
- * Saturation of the urban markets
- * Media penetration in rural areas (particularly satellite channels)
- * Globalization
- * Economic liberalization
- * Revolution in the Information Technology
- * Women empowerment
- * Improving infrastructure

ATTRACTIVENESS OF RURAL MARKET

- 1 Large population
- 2 Rising prosperity
- 3 Growth in consumption
- 4 Life cycle changes
- 5 Life cycle advantages
- 6 Market growth rate higher than urban
- 7 Rural marketing is not expensive
- 8 Remoteness is no longer a problem

WHY RURAL IS HOT

Four consecutive years of positive growth in rural GDP has not just boosted sentiment but also spending power



Power play of NREGS, farm loan waiver and more than 40 per cent hike in support prices of crops over

last two years

Higher percentage of disposable income in rural vis-à-vis urban areas due to negligible expenses on house rent and taxes

Corporate engagement is beginning to have a small but definitive impact on rural incomes

All this shows up in demand— Airtel's new subscriber base consists of 60 per cent rural additions
Maruti's sales from rural markets has jumped from 3.5% in 2007-08 to 8.5% in 2008- 09

RURAL CONSUMER INSIGHTS

Rural India buys

- * Products more often (mostly weekly) ;
- * Buys small packs, low unit price more important than economy;
- * In rural India, brands rarely fight with each other; they just have to be present at the right place;
- * Many brands are building strong rural base without much advertising support, like Shampoos, detergent etc.
- * Fewer brand choices in rural areas; number of FMCG brands in rural areas is half that of urban.
- * Buys value for money, not cheap products

Exposure of Rural Markets in India

- * 630 million people;
- * According to a study by the Chennai-based Francis Kanoi Marketing Planning Services, estimated annual size of market is -

FMCG - Rs. 65,000 Crore Consumer

Durables - Rs. 5000 Crore

Agri Inputs (e.g., Tractors) - Rs. 45,000 Crore 2/4

Wheelers - Rs. 8,000 crore

Total - Rs. 1,23,000 Crore

RURAL CONSUMER BEHAVIOUR

Variations in lifestyle indicate opportunity for the marketer. Examining the lifestyle of the rural consumer helps to understand the consumption pattern and the influence of the environment on consumer behaviour. It has been found that products developed to meet the needs of the rural consumer are more widely accepted than products developed for urban markets. The influence of geography and occupation on consumer behaviour patterns is also examined.

The rural consumer's place of purchase and product-use is diverse and also does not necessarily reflect the behaviour seen among urban consumers. Influences on rural consumer behaviour include environment, cultural practices, perceptions and attitudes. The variations reflected in the design of product and messages are the result of strategic marketing decision making. The influence of various geographic and demographic factors on the consumer behaviour and its implications are well understood from the diagram below.

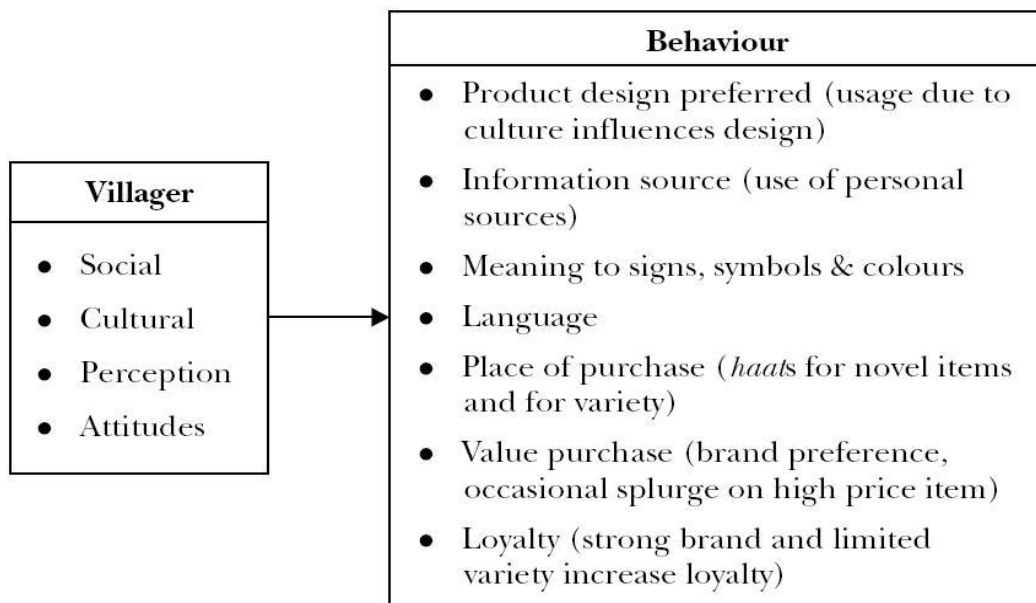
Influences on Consumer Behaviour and its Implications



Source: *Rural Marketing - Targetting the Non-urban consumer*, Sanal Kumar Velayudhan, 2007

The diagram below shows the influence of social and cultural factors on the behaviour of the consumers and its implications.

Social and Behavioural Influences



Source: *Rural Marketing - Targetting the Non-urban consumer*, Sanal Kumar Velayudhan, 2007

FACTORS AFFECTING RURAL CONSUMER BEHAVIOUR:

The consumer behaviour in the rural areas is fast changing in the present scenario due to the following factors which influenced the behaviour of the consumers.

□ **COLLECTIVISM** :- (as opposed to the individualism of urbanites)

They have as strong adherence to prevailing social norms of the community they live in so even the decisions are taken with the communities' beliefs and norms.

The concept of joint family is more prevalent.

They Enjoy social gatherings – festivals, melas, other celebrations etc. They spend a lot of time chatting with friends and neighbours.

They are Strongly influenced by opinion leaders & “influencers” - school teachers, medical practitioner (PHC), priests, religious leaders, urbanized relatives, local politicians, the village head.

□ **INFLUENCERS** :-

An Important role is played in decision making by “influencers” in the rural economy Unlike in the urban family where “all” are involved in the purchase “decision”, in rural set-ups due to the lack of mobility & “exposure” to markets, decisions are made by the men

□ **EDUCATION CHANGE**

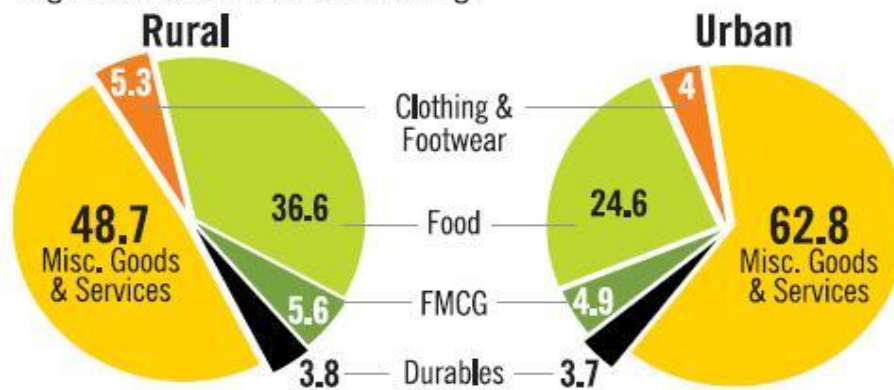
The interesting fact is that only 37% of the population in the rural India is illiterate and 11% of the people have undergone education above graduation. The buying behaviour is changing due to increased levels of education. The companies have a huge ease of opportunity in attracting the consumers.

□ **Rural Vs Urban Expenditure**

The expenditure pattern of the rural people are much similar to the urban expect for the case of miscellaneous goods and services which shows a considerable difference. The marketers of the different sectors may concentrate on the rural community based on the statistics of the following chart.

Comparison of Rural-urban Expenditure

Big differences in food and clothing.



Figures in per cent

Source: *Indicus Analytics*

Rural Vs Urban Consumers - Challenges

The rural Indian consumer is economically, socially, and psycho graphically different from his urban counterpart. The kind of choices that an urban customer takes for granted is different from the choices available to the rural counterparts. The difference in consumer behavior in essence stems from the way of thinking with the fairly simple thought process of the rural consumer in contrast to a much more complex urban counterpart. On top of this there has hardly been any research into the consumer behavior of the rural areas, whereas there is considerable amount of data on the urban consumers regarding things like - who is the influencer, who is the buyer, how do they go and buy, how much money do they spend on their purchases, etc. On the rural front the efforts have started only recently and

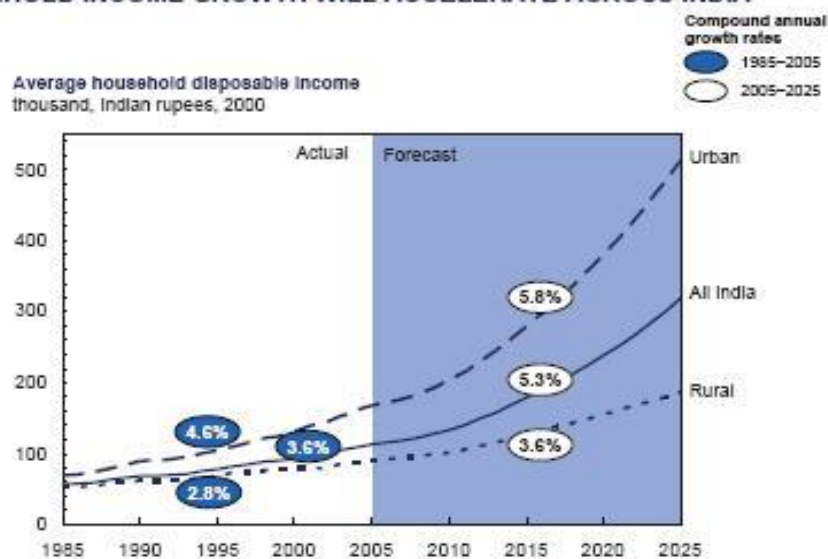
will take time to come out with substantial results. So the primary challenge is to understand the buyer and his behavior.

Even greater challenge lies in terms of the vast differences in the rural areas which severely limits the marketer's ability to segment, target and position his offerings. The population is dispersed to such an extent that 90% of the rural population is concentrated in villages with population of less than 2000. So the geographical spread is not as homogeneous as it is with the urban areas owing to vast differences culture and education levels. Also with agriculture being the main business of rural sector the purchasing power of rural consumer is highly unpredictable which can lead to high variations in demand patterns. One more gray area that needs to be probed into is the importance of retailer in rural trade. Rural consumer's brand choices are greatly restricted and this is where the retailer comes into the picture.

The rural customer generally goes to the same retailer to buy goods. Naturally there's a very strong bonding in terms of trust between the two. Also with the low education levels of rural sector the rural buying behavior is such that the consumer doesn't ask for the things explicitly by brand but like "laal wala sabun dena" or "paanch rupey waali chai dena". Now in such a scenario the brand becomes subservient to the retailer and he pushes whatever brand fetches him the greatest returns. Thus, as there is a need to understand the rural consumer, similarly need is there to study the retailer as he is a chief influencer in the buying decision.

FACTORS INFLUENCING FUTURE TRENDS IN CONSUMER BEHAVIOUR

HOUSEHOLD INCOME GROWTH WILL ACCELERATE ACROSS INDIA



Source: McKinsey Global Institute

According to the study of McKinsey Global Institute, while real average household disposable income in India has doubled since 1985, its current growth path will lead to a major transformation of the Indian market. The projected income levels could triple by 2025 with India climbing from the 12th to the 5th largest consumer market in the world. This growth could lift nearly 300 million people out of poverty and will expand India's middle class from the current 50 million people to 583 million people. This could be a greater evidence for future change in consumer behaviour due to change in income levels.

SOME EMERGING FUTURE TRENDS OF BUYING BEHAVIOUR OF INDIAN CONSUMERS

1) The new generation will prefer brands that are launched during their growing up years. They will not prefer brands that are very old in the market. This will make it easier for new brands to cement their place in the market and run successfully.

- 2) The new generation will possess more risk taking capability and their previous generations. They will be willing to try out new careers, new ideas and new ways of doing things.
- 3) Indian consumers will be more logical in their thinking and foreign brands will not only be considered as the standard of quality. Each brand, be it Indian or foreign, will be judged on its merit.
- 4) The middle and lower class consumers' buying behaviour will change and they may behave as if they are rich.
- 5) The contribution of women in decision making will increase with growing number of nuclear families, educated women and working women. The number of middle class working women will rise sharply. This will lead to introduction of women oriented products that may range from insurance products to vocational education.
- 6) Tomorrow's consumer will focus more on technology and credit purchase.
- 7) Number of nuclear families will increase.
- 8) Health care will become very important in the coming years.

CONCLUSION

From above discussion it is very clear that Indian consumers' buying behavior and their attitude have changed drastically in the recent past. One thing is for sure that the pace of change in the needs, desires and wants of the Indian consumers will be even steeper and will further change drastically in the near future.

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