

# Marketing Consumer Durables in Indian Rural Market

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## Abstract

Indian rural market has always been complex to forecast and consists of special uniqueness. The concept of rural market in India is still in the evolving stage. This sector poses a variety of challenges. However, many companies were successful in entering the Indian rural market. They proved with proper understanding of the market and implementation of innovative marketing strategies. It is possible to explore and conquer the Indian rural market. It is very difficult for the companies to overlook the opportunities they could exploit from rural market. As two thirds of Indian population live in rural areas, this huge potential and booming market can not be ignored by any marketer. They have to overcome certain challenges, converting them as opportunities and to become successful.

With this, the present paper aims at scanning the rural market status in India highlighting the opportunities and challenges of rural marketing in India and the strategies that a marketer can incorporate with respect to consumer durables.

**Keywords:** Rural marketing, Consumer durables, Rural market potential, Rural consumer behavior.

## Introduction

“India’s way is not Europe’s. India is not Calcutta and Bombay. India lives in her seven hundred thousand villages” - Mahatma Gandhi

The concept of rural marketing in Indian economy has always played an influential role in the life 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 rural population is nearly three times the urban. Hence rural consumers have become the prime target market for consumer durable and non-durable products, food, construction, electrical, electronics, automobiles, banks, insurance companies and other sectors besides hundred per cent of agro-input products such as seeds, fertilizers, pesticides and farm machinery.

The problem for marketers lies in reaching out to this huge magnitude of the rural masses with varied social, cultural background speaking a few hundred dialects. From the strict marketing point of view, the market structure in India is dichotomous having rural and urban markets. The concept of rural marketing in India is often found to form ambiguity in the minds of people who think rural marketing is all about agricultural marketing. Organizations are shifting their focus towards this huge & largely untapped market. Rural India, reports 6,40,867 nos. of villages spread over a geographical area of over 3.2 million square kilometers. It can be seen from Table 1 that as per 2011 census nearly 69 per cent of India’s population was rural. Also there was growth in rural literacy rate, which indicates increased awareness of rural people.

**Table 1: Population of India - Rural vs. Urban**

Rural Urban	2001			2011		
	Population in crores	% to Total	Literacy Rate (in %)	Population in crores	% to Total	Literacy Rate (in %)
Rural	74.3	72.2	58.7	83.3	68.9	68.9
Urban	28.6	27.8	79.9	37.7	31.1	85.0
Total	102.9	100	64.8	121.0	100	74.0

**Source:** Census of India 2011

Durable goods are those which don't wear out quickly, yielding utility over time rather than at once. Consumer durables include electronic equipment, photographic equipment, leisure equipment and kitchen appliances. They can be further classified as either white goods, such as refrigerators, washing machines and air conditioners or brown goods such as blenders, cooking ranges and microwaves or consumer electronics such as televisions and DVD players.

### Review of Literature

In the Indian rural marketing context, the most dominant literature is on marketing of agricultural products to the urban areas. There is lack in focused literature to guide a practicing or potential manager in the development of effective strategies for consumer durables in Indian rural market.

According to Pradeep Kashyap, the pro-rural government initiatives and schemes, rapid rural infrastructure development, good monsoons and increase in the minimum support price for food grains have enhanced incomes and fuelled rural growth. Rapid electrification has led to enhanced economic activity in rural areas. Improved internet connectivity and rapid spread of TVs and mobile phones have led to higher awareness levels among rural consumers. Companies have responded by customizing products for rural consumers as well as innovated new communication and distribution channels.

Balaram Dogra and Karminder Ghuman believe, corporate world needs to realize that to be successful in the rural market, they must go in with a clear long term strategy. Short term promotional efforts may not deliver the desired results on a sustained basis in the rural areas. Demographic profiles and spending patterns in rural India too are changing and marketers have to junk their old perception about rural India. Thus need to formulate a well designed strategy to feel the pulse and to tackle the mystic rural market.

U C Mathur suggests that the rural marketers would do well to study the rural environment, its cultural ambience, religious ethos and its age-old value system, before embarking on full-scale planning of rural marketing. Marketers of today must realize that a wrong move in rural market can send their organization completely out of gear. A comprehensive understanding of rural markets can be helpful in earning rich dividends by bringing continued profitable sales and success for the organization.

T P Gopalswamy strongly feels that the manufacturing and marketing personnel should understand the environment in which the rural market operates, the inherent problems associated with it and also the strategies which can be successfully adopted. Modern agricultural technology has improved productivity and the disposable incomes of rural population which has in turn resulted in demand for a variety of manufactured consumable and durable goods and services.

V S Ramaswamy and S Namakumari also have opinion that, the Indian rural market is full of fascinating opportunities and daunting challenges. There is certainly a very attractive side to the market, as it offers a large scope on account of its size. It is also growing steadily and is relatively less competitive and less saturated as well. Marketers can therefore, certainly hope big rewards from the market. It is a market meant for the truly creative marketer.

Manpreet Kaur took an attempt to find out the various initiatives taken by Hindustan Unilever Limited (HUL) to reach the rural consumers. HUL was the first company to step into the Indian rural market. HUL launched 'Operation Streamline' for distribution of products to inaccessible rural markets with high potential using unconventional transport like bullock carts, tractors and bicycles and appointed rural distributors and star sellers. HUL has been following a sustained approach to tap vast potential of India's rural market.

Researchers have proposed a number of theoretical frameworks for understanding the reasons of success and failures of various rural initiatives undertaken by consumer durable companies in Indian rural market. The research papers also highlight existing marketing strategies, long term sustainability strategies and success stories, also some discuss and recommend the future course of action. This paper attempts to bridge the gap to some extent in this respect.

### Objectives, Scope and Method of the Study

The main objectives of the paper are:

- a) To brief the rural market status in India and environment in which Indian rural market operates
- b) To find out opportunities and the inherent problems associated with rural market.
- c) The marketing strategies which can be adopted to exploit the potentials of consumer durables in rural India.

The scope of study confines to consumer durables in Indian rural market.

Data collected from various published and unpublished journals, articles available in various websites, magazines and newspapers, text books, etc.

### Status of Indian Rural Market

The Indian rural consumer durable market is growing at a faster rate due to improving lifestyles, disposable incomes, rural electrification and liberal incentives offered by banks and financial institutions. Some of the popular household durables penetration in rural India can be seen from Table 2 given below.

**Table 2 : Household penetration of select durables in rural India**

\*Others include washing machine, still camera(non-digital), car, jeep, van, SUV

**Source:** IRS, Q1-2010 published in "Households-durables penetration" in Media Market Guide India 2010 by R.K.Swamy Media Group.

Although the penetration of consumer durables is still low in rural India, its growth has been exciting. In the last decade, there has been almost a five-fold increase in the penetration of colour televisions, almost four-fold

in motorcycles, and the penetration of refrigerators has doubled. This is more visible from the data presented in Table 3.

**Table 3: Household penetration of three major durables in rural India**

Product	Colour Television			Refrigerator			Motorcycle		
	Year	2000	2005	2010	2000	2005	2010	2000	2005
Television	4	11	18	3	4	6	3	5	11
Pressure cooker						25			
LPG stove						20			
Electric Iron						14			
Moped/Electric bike/Scooter/Motorcycle						11			
Refrigerator						6			
Telephone						6			
DVD player						5			
Air cooler						3			
Others*						3			

**Source :** IRS, Q1-2010 published in "Households-durables penetration" in Media Market Guide India 2010 by R.K.Swamy Media Group and "Penetration of Consumer Durables" in the Marketing Whitebook 2010-11.p.87.

Indian rural market has a huge demand base and offers great opportunity to marketers. "Around 35% of total sales of consumer durables come from rural and semi urban market, which will grow by 40 to 45 per cent in the near future. The consumer durable industry is growing at a faster pace and sees a strong demand in the coming period with growing affordability of products as well as the general buoyancy in the economy," ASSOCHAM President Mr. Dilip Modi said while releasing the report "Rise of Consumer Durables in Rural India" in December 2010. The study said the total size of consumer durable market is estimated at Rs 30,000 crores and expected to reach Rs 50,000 crores by 2015. Also the study revealed that in the coming five years, it would be a new era for rural, by 2015 it is expected that every village be connected by an all weather road, every village will get internet connectivity and almost every home will have electricity and possess a mobile phone.

Indian rural market is now changing rapidly due to several reasons. The first and foremost reason is that the rural markets are growing faster than urban markets and with better profitability, as urban markets have become more

mature and intensely competitive. There has been a significant growth in purchasing power, change in life style, increase in brand consciousness, change in consumption patterns, improvement in infrastructural facilities, and spread of the communication network. Today, rural India accounts for 56 per cent of India's total income, 64 per cent of expenditure and 33 per cent of savings.

As India is the second largest consumer durable market in the world, many Indian corporates and MNCs are eyeing this segment with greater interest. But it is not very easy to penetrate rural India. Besides understanding the psyche of rural consumers; distribution, promotion, marketing communication and of course poor infrastructure are challenges that one needs to overcome to reach rural consumers. So, it is very important to understand the dynamics of Indian rural market and attitude of Indian rural consumers those are different from urban counterparts.

Dinesh Malhotra, General Manager of Linterland (rural arm of Lintas) comments on Indian rural market, "media

exposure and increasing literacy levels, people in rural India are now demanding a better lifestyle. The educated rural yuppie (males in the age 15-34 age groups) is moving out to work in nearby towns and cities, and sending money home to his family. This has created an indirect increase in disposable incomes and surge in demand for consumer goods. The rural youth are slowly evolving as opinion leaders in influencing brand and product decisions in a market that was swayed by village elders for centuries."Indian rural market is a virgin one and because of its large size, there are opportunities as well as problems. While size is an advantage, the problems are scattered markets, various socio economic and cultural backwardness makes it more complex and challenging.

Looking at the above scenario Godrej's Sunil Kataria, COO-Sales & Marketing, has rightly said "Rural markets are outpacing urban ones even at present. We will focus more on rural activation to tap the upsurge." According to Harish Bijoor, brand expert, "The rural opportunity is really an ocean of niches. There is not one rural, but thousands of rural niches and each niche is an opportunity."

### Opportunities in Rural Marketing

Various opportunities available for marketers in rural India can be summarized here:

- *Large market*: The size of rural market itself speaks of its potential. A survey carried out by Rural Marketing Association of India (RMAI) has revealed that 59 per cent of durable sales come from rural markets.
- *Increase in income and purchasing power*: Various agricultural program of government have helped to increase income in agricultural sector. Agricultural productivity has gone up and farmers are getting higher prices for agricultural commodities. This in turn created greater purchasing power of rural consumers.
- *Growing market*: Indian rural market is not exploited completely and is yet to be explored, a fast growing market for consumer durables. "The rural market is growing faster than urban India now," says Venugopal Dhoot, Chairman of Videocon Appliances.
- *Spending pattern*: Spending has increased in rural India, monthly per capita expenditure (MPCE) increased 19% annually in rural areas and 17% in urban areas as per latest data published by Ministry of statistics and program implementation
- *Change in lifestyle*: Rural customers have upgraded their lifestyle and so showing more interest towards lifestyle products, which have become necessities for them.
- *Favorable government policies*: Massive investment and efforts towards rural development has generated employment, increased income and purchasing power of the Indian rural mass.

### Marketing Challenges

Although the untapped rural market is attractive, companies face following challenges:

- *Low literacy*: This leads to low awareness, not able to understand good features of a product, not able to differentiate between good and poor quality product. Old customs and traditional cultural values have not yet faded; hence rural consumers do not adopt new practices easily.
- *Unorganized and dispersed markets*: Physical distribution cost is very high due to presence of too many tiers. The scattered markets increases distribution cost. Physical communication to villages is very expensive.
- *Inadequate infrastructure*: Besides the difficult approach route, villagers also have problems like no electricity and drinking water. It is in fact a major drawback for the rural marketer. Lack of proper warehousing facility resulting materials is not available in time. Facilities such as telephone, fax, internet are poor.
- *Seasonal demand*: Peak demand mostly comes during harvesting, wedding and festive period.
- *Poor finance*: Poor availability of finance by bank and financial institutions.
- *After sales service*: Lack of proper after sales service facility in rural areas.

While most of the challenges seem to be operational in nature, the biggest strategic challenge faced by companies is towards understanding the rural customers.

### Marketing Strategies for Rural Market

A marketer is faced with an entirely different set of conditions and problems when marketing in rural India as compared to urban counterpart. Hence rural marketers need to have an open mind and sensitize themselves to understand rural consumer behavior.

It is understood that, rural consumer is simple, less communicative, conservative, loves traditional values and adhere social customs, brand loyal, emotional and family decision making rests on eldest male member in many situations. As they are slow decision makers, having limited evaluation capability, lack of brand awareness makes the buying pattern complex.

Although Indian rural market offers vast untapped potential, it is not an easy affair to exploit the same. Many corporate houses dealing with consumer durables manage the challenges by taking care of the 4As, i.e. **availability, affordability, acceptability and awareness**. A strong insight into rural consumer behavior, clear understanding of their values and beliefs is very much required before formulating rural marketing strategy. Rural consumers want products that are affordable, simple to operate and at the same time are able to meet their

expectations. Understanding the aspirations and expectations of rural consumer and making changes to the product accordingly will definitely give mileage to marketers.

A rural marketer should understand consumer psychology before setting the prices of their offerings in rural markets. Although the rural consumer is price sensitive, he is willing to pay more if he sees value in a product. They do not always look for cheap products. Instead, they want good quality for the money they spend. So companies have to price their products to meet rural consumer expectations and generate profits.

Availability is the biggest challenge among the four As. Reaching rural consumers is the most difficult as it requires the maximum time and resources to cater to these markets. In case of durables, most companies service rural markets through the existing urban distribution channel. But now companies have started establishing separate distribution and service networks for servicing rural markets efficiently.

An important tool to reach out to rural customers is through effective communication.

Inadequate literacy levels make the rural consumer dependent on colors and symbols

rather than written words. It is crucial for the marketer to understand this and devise necessary communication and media strategy to create long lasting image of the brand. Some of the successful events that can be carried out are road shows, rural melas, street plays, van campaigns, puppet shows, film shows, etc. and so on. This makes a visually strong impact on rural popular and build long term brand recall, generate positive word of mouth and ultimately influence buying decisions. Also the opinion of someone already using the product or an influential member of local community is sought by the rural consumer before deciding which brand to opt for. Word of mouth communication is definitely a strong tool which can win rural customers. **'Opinion leaders'** do play a significant role in influencing the prospective rural consumers about accepting or rejecting a product or a brand.

In the case of high value durable items, decision making in the case of rural consumers is time consuming. First, a decision has to be made with regard to the product and then the brand choice has to be made. In such cases personal selling and opinion leaders play a major role. It has been observed that rural customers do not decide on the basis of information provided by companies or their advertisements. They mostly prefer to consult others who actually possess the various brands of the products and also get their experience in using them. Whatever the company may claim and offer, information collected from friends or neighbors plays a major role in decision making.

For marketing consumer durables in Indian rural market, direct marketing campaigns can also be effective. At the

same time importance has to be given on features and usage of products during promotion, than the brand values. Finally, a combined dealer push and innovative advertising pull bundled with attractive schemes, discounts and exchange offers can give a lot of mileage to be successful in Indian rural market. This should go along with rural market research which is a critical component for formulating effective marketing strategy.

Hence rural marketing requires separate marketing strategies for the marketing mix elements viz, product, price, place and promotions which could be formulated after studying the market carefully. Marketing Strategy is affected by various factors like type of product, profile of target market, internal strengths of company, competitor's strategies, stage of product in its life cycle, facilities available for using marketing mix, etc. Moreover, strategy can be formulated at various levels; generic strategy for all firms, corporate strategy at corporate level of a firm, business strategy for a particular strategic business unit of the company, marketing mix strategy at marketing department of a particular strategic business unit etc.

Based on all above concepts, LG Electronics in 1998 developed a customized television set for rural consumers named 'Sampoorna', which was a big success as one lac sets were sold in the very first year of its launching.

## Concluding Note

Indian rural market is rapidly growing, but often been ignored by marketers. Providing Urban Amenities in Rural Areas (PURA) and National Rural Employment Guarantee Act (NREGA) are expected to uplift the life of rural masses and help generate more demand for consumer durables. Rural market in India has become the hub of opportunities for durable companies. The companies that bring a "Business mind, social heart" approach will be able to connect better with rural consumers and win this rural race.

Commenting on the booming rural markets Adi Godrej, Chairman Godrej Group once said, "The rural market is not sleeping any longer. We are." Hence huge rural market is an untapped goldmine and those who take timely initiative to penetrate it are bound to reap rich rewards.

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