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# INNOVATIONS IN RURAL MARKETING

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The concept of rural marketing in India is often been found to form ambiguity in the minds of people who think rural marketing is all about agricultural marketing. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban places to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. There is much that modern science and technology can do to realize this vision. Rural incomes have to be increased. Rural infrastructure has to be improved. Rural health and education needs have to be met. Employment opportunities have to be created in rural areas. This paper covers some of the key aspects of rural marketing like, Understanding what is rural marketing? Analyzing the potential, importance and future prospects of rural markets by examines the innovative strategies adopted by various companies and suggestions to develop market oriented product, price, place and promotion elements with thrust on innovation and reverse innovation in rural market is the key for the companies and corporate to survival in which have caused hurdles in tapping rural markets in India.

**Keywords:** Rural Market, Rural Marketing, Innovation, Marketing strategy, Reverse Innovations

## INTRODUCTION

As the competition increases in the rural market is subjected to the need for competitively priced products that are developed as per the needs and requirements of the rural consumers. Non-consumers of yesteryears are entering into the rural market as first time buyers for a large number of products in a large market. This call for shift in management thinking from gross margin to higher profit from high value unit sales to logic of high volumes, capital efficiency and from one solution fits all thinking to market innovation. 'Go rural' is the slogan of marketing

gurus after analyzing the socio-economic changes in villages. The Rural population is nearly three times the urban, so that 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 100% of agricultural-input products such as seeds, fertilizers, pesticides and farm machinery since market in the urban areas is saturated. 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.

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## AIM AND OBJECTIVE OF THE STUDY

1. To study the importance of innovation in rural marketing.
2. To determine the impact of Innovation in rural marketing of products.
3. To understand the role of technology on innovation to rural marketing.

## RESEARCH METHODOLOGY

This study is based on secondary data. The study is conceptual and exploratory in nature. This study explored the need of innovation in rural marketing of the products and also it explains the conceptual framework of innovation and its importance in rural marketing. Secondary data is used from different research works for understanding the innovative of rural marketing concept and its necessity in current Indian marketing scenario.

### Concept and Definition – Marketing Innovation

Innovation According to the Government of India, National Knowledge Commission innovation is defined as a process by which varying degrees of measurable value enhancement is planned and achieved in any commercial activity. Innovation is a broad concept which is not limited up to launching new products, but it also includes the integration of marketing and technology knowing customer and providing them knowledge for purchasing a product and enhancing the customer's overall experience.

“A marketing innovation is the implementation of a new marketing method involving significant changes in product design or Packaging, product placement, product promotion or pricing.”

Innovative marketing of products is about leveraging the marketing mix, namely, the four P's: Product (Design and Packaging), Price, Place and Promotion in ways that has not been before by the organization implementing the innovations.

There are different types of Innovation which serves different objective as per need of the organization such as:

- i. Incremental innovation Small changes in existing products and services via improvements in technology or changes to the business model.
- ii. Breakthrough innovation or Radical innovation Technological knowledge required to exploit. It usually originates from R&D or other forms of formal creative activity

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 Indian economy generates almost more than half of the country's income. Rural marketing in Indian economy can be classified under two broad categories. These are market for consumer goods that comprise of both durable and non-durable goods the market for agricultural inputs that include fertilizers, pesticides, seeds, and so on

Rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. To be precise, Rural Marketing in India Economy covers two broad sections, namely:

1. Selling of Agricultural items in the urban areas
2. Selling of manufactured products in the rural regions

## CHARACTERISTICS OF RURAL MARKETING

Some of the important features or characteristics of Rural Marketing in India Economy includes:

With the initiation of various rural development programmers there have been an upsurge of employment opportunities for the rural poor. One of the biggest cause behind the steady growth of rural market is that it is not exploited and also yet to be explored.

The rural market in India is vast and scattered and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers. The social status of the rural regions is precarious as the income level and literacy is extremely low along with the range of traditional values and superstitious beliefs that have always been a major impediment in the progression of this sector.

The steps taken by the Government of India to initiate proper irrigation, infrastructural developments, prevention of flood, grants for fertilizers, and various schemes to cut down the

poverty line have improved the condition of the rural masses. Make in India also promote the processing of Agriculture products which are manufactured in the rural areas of the country hence it is a booster to rural marketing.

The featured population is

Predominantly illiterate, they have low income, characterized by irregular income, lack of monthly income and flow of income fluctuating with the monsoon winds.

- i. Large and scattered market
- ii. Major income from agriculture
- iii. Low standard of living
- iv. Traditional Outlook
- v. Poor Infrastructure
- vi. Issues of distribution and communication
- vii. Difficulty in understanding the rural consumer

## WHY RURAL MARKETING?

The Indian rural market with its vast size and demand base offers great opportunities to marketers. Since two-thirds of 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 Indian market.

Defining Rural India		
Organization	Definition	Limitations
NSSO ( Census)	<ul style="list-style-type: none"> <li>· Population density &lt; 400 / Sq Km</li> <li>· 75 percent of the male working population is engaged in agriculture</li> <li>· No Municipal corporation / board</li> </ul>	<ul style="list-style-type: none"> <li>· Rural not defined</li> </ul>
Planning Commission	<ul style="list-style-type: none"> <li>· Towns up to 15,000 population are considered rural</li> </ul>	<ul style="list-style-type: none"> <li>· Town characteristics not defined</li> </ul>

The rural market is zooming ahead at around 25% annually. According to Venugopal Dhoot, chairman of the Videocon Appliances, "The rural market is growing faster than urban India now."

MART, the specialist rural marketing and rural development consultancy has found that 53% of FMCG sales lie in the rural areas, as do 59 per cent of consumer durable sales.

According to a study by the Chennai-based Francis Kanoi Marketing Planning Services, estimated annual size of market is –

## **PRINCIPLES OF INNOVATIONS FOR RURAL MARKETS**

The principles and practices of innovation to be adopted in rural market have to take into consideration: needs, lifestyles and consumer behavior of the rural population. It is extremely important that the product, pricing, promotion and distribution strategy are not just innovative alone but they must make product value proposition attractive and relevant for rural consumers.

### **Process Innovation**

Process innovations are critical in rural markets. Innovation must focus on building a logistics infrastructure, including manufacturing that is in accordance with the prevailing conditions and can deliver solutions in a cost effective manner.

### **Product Innovation**

Product development must start from a deep understanding of functionality, not just form. Marginal changes to products developed for customers in the towns might not be that effective in rural market. The infrastructure and environment, in which the rural consumers live and work in, demand a rethinking of the

functionality a new. Poor consumer's problems cannot be solved with old technologies. New technologies need to be developed to make the product relevant to the rural consumers whose product use environment is very different from urban consumers.

### **Price Innovation**

Conserving resources is the mantra; the product meant for rural market must eliminate or reduce the various recurring costs and thus should reduce resource intensity. The option of reuse, refill and recycle are critical principles in product development for rural market as they reduce the overall cost of the product. India is a value for money society- while the value may range from a few rupees to millions; the basic instinct remains the same. Market strategies must ensure the prices of the product are reduced either through re-engineering; cost saving in operations, reduction in pack sizes, deletion of frills from the core product, etc., but this reduction in price should not be at the cost of quality and service. Organizations have to focus on price performance of the product.

### **Promotional Innovation**

Changing demographics and spending profiles present countless opportunities for a creative response by the corporate sector. Promotional campaigns have to be innovative to target the youngsters by engaging them through combination of media options. Promotional campaign such as video mounted on trucks traveling low cost theatrical need to be undertaken for any serious promotional effort in rural areas.

### **Rural Retailing**

Retailing in India is slowly on the rise with changing consumer preferences and tastes and evolution

of a global structure. Rural markets are relatively virgin markets, which have evolved on their own with very little direct contact with them by the corporate world, but their size is compelling and attractive. Retail sector offers opportunities for exploration and investment in rural areas, with Corporate and Entrepreneurs having made a foray in the past. India's largely rural population has caught the eye of retailers looking for new areas of growth. Market structure in India is dichotomous having rural and urban markets.

Retail outlets have sprung up practically in all the villages. In interior villages retailing is a part time chore unlike the case of the retailer in town. In a part of their house, the villagers make retail counter. The maintenance costs for retail outlets in interior villages are also low with most of the cost spent on traveling and transportation.

One of the principal reasons behind the explosion of retail outlets and its fragmented nature is that retailing is probably the primary form of disguised unemployment/ underemployment. The overcrowded agricultural sector, stagnating manufacturing sector, the hard nature of jobs and low wages in both virtually force many Indians to the service sector. So, it is almost a natural decision to open a small shop or store depending on the available means and capitals due to the lack of opportunities. This phenomenon explains the million of kirana shops and small stores. ITC launched the country's first rural mall ' Chaupal Sagar', offering a diverse product range from FMCG to electronics appliance to automobiles, attempting to provide farmers a one-stop destination for all of their needs. There has been yet another initiative by the DCM Sriram Group called the ' Hariyali Bazaar' that has initially started off by providing farm related inputs and services

but plans to introduce the complete shopping basket in due course. Other corporate bodies include Escorts and Tata Chemicals (with Tata Kisan Sansar) setting up Agric-stores to provide products/services targeted at the farmer in order to tap the vast rural market.

### **Strategies for Rural Marketing**

The past practices of treating rural markets as appendages of the urban market is not correct, since rural markets have their own independent existence, and if cultivated well could turn into a generator of profit for the marketers. But the rural markets can be exploited by realizing them, rather than treating them as convenient extensions of the urban market.

#### **a) Marketing Strategy**

Marketers need to understand the psychology of the rural consumers and then act consequently. Rural marketing involves more exhaustive personal selling efforts compared to urban marketing. Firms should abstain from designing goods for the urban markets and subsequently pushing them in the rural areas. To effectively tap the rural market, a brand must associate it with the same things the rural folks do. This can be done by utilizing the various rural folk media to reach them in their own language and in large numbers so that the brand can be associated with the myriad rituals, celebrations, festivals, "melas", and other activities where they assemble.

#### **b) Distribution Strategy**

One of the ways could be using company delivery van which can serve two purposes it can take the products to the customers in every nook and corner of the market, and it also enables the firm to establish direct contact with them, and thereby

facilitate sales promotion. Annual “melas” organized are quite popular and provide a very good platform for distribution because people visit them to make several purchases.

According to the Indian Market Research Bureau, around 8600 such melas are held in rural India every year. Rural markets have the practice of fixing specific days in a week as Market Days called “Haats” when exchange of goods and services are carried out. This is another potential low cost distribution channel available to the marketers. Also, every region consisting of several villages is generally served by one satellite town termed as “Mandis” where people prefer to go to buy their durable commodities. If marketing managers use these feeder towns, they will easily be able to cover a large section of the rural population.

### c) Promotional Strategy

Marketers must be very careful while choosing the mediums to be used for communication. Only 19% of the rural population has access to a vernacular newspaper. So, the audio visuals must be planned to convey a right message to the rural folk. The rich, traditional media forms like folk dances, puppet shows, etc., with which the rural consumers are familiar and comfortable, can be used for high impact product campaigns. Radio is also very popular source of information and Entertainment, Adds on radio can also be a helpful tool for marketers

Some other Strategies to be followed in Rural Marketing in India

- Decentralizing rural markets by detaching them from the urban bases. A give-and-take two-way approach should replace the present one-way exploitation.

- The salesman in rural markets should be selected from the educated unemployed villagers, trained well and appointed as salesmen. The town-to-villages shuttling salesmen are to be replaced by stationary salesman in villages.
- Companies should also adequately concentrate on educating the villagers to save them from spurious goods and services.
- Rural markets are laggards in picking up new products. This will help the companies to phase their marketing efforts. This will also help to sell inventories of products out dated in urban markets.

## SUGGESTIONS FOR INNOVATIVE RURAL MARKETING

The above examples show how big corporate have moved beyond the archetypal rural marketing tools and beginning to think of the next best way to tap 720 million customers spread across the country’s hinterland. The following serve as suggestion point for the brands to tap the rural market potential

**(i) Relating to Product:** Small unit size and low priced: A lot is already emphasized on adapting the product and price in terms of packaging, flavoring, etc and in sachets, priced to suit the economic status of the rural India in sizes like Rs. 5 packs and Re.1 packs that are perceived to be of value for money.

New product designs- sturdy products: There is a need to vary the product design to suit the rural consumers’ needs. The initiative of Philips and Exide batteries are noteworthy is in this regard.

Avoid sophisticated packing: Consumers in rural markets buy a brand for their core benefit and not for their attractive packages. Refill packs and Reusable packaging can do the selling than a glossy cover which needs to be thrown away.

(ii) **Relating to Price:** Low priced products: From the characteristics of rural market, it is clear that the rural consumer will not be able to afford premium products. What is required is value for money and that's what exactly the companies need to hit upon.

Application of value engineering: Milk-soya protein for example is something a rural consumer can relate to health immediately. The products should provide high value to him.

(iii) **Relating to Place:** Segmentation: The marketers can target a specific segment, for example, coverage of villages with 2,000 and above population. Distribution: Distribution through Mandi/shanties/ Melas can help. Also, direct contact with rural Retail will improve the distribution in the otherwise poorly connected areas.

(iv) **Relating to Promotion:** The companies can use both traditional and innovative media to reach the rural customers.

The initiative of promoting and targeting rural customers especial the women for they are mostly neglected in the market, Festival branding – e.g. Build kiosks or spread their brand 'pandals' or 'umbrellas' Region specific names for the schemes offered by companies.

Winning the opinion leaders Organizations need to adopt the "reverse innovation" strategy and also work on new price paradigms. A reverse innovation simply means any innovation that's likely to be adopted first in the developing areas. Increasingly, many companies are developing

products in smaller towns and villages and then distribute it nationally.

## **FUTURE TRENDS FOR RURAL MARKETING**

The Markets which are not able to face the stiff competition posed by multinational companies can restore their profits in the rural sector. The market share of urban market when compared to the rural market is low; hence if Indian industries concentrate on rural markets their sales will increase. If rural markets are brought into the limelight of development, they can move towards the prosperity. Prosperity of India lies in the prosperity of every Indian; hence no rural segment should be left untapped. Rural market has a tremendous potential that is yet to be tapped. A small increase in rural income, results in an exponential increase in buying power.

## **CONCLUSION**

The world is changing like never before. This change is more attributed to the way business practices and strategies are changing across the globe. Business organizations are rapidly changing their domain and strategy to take benefit of this emerging global order. Rural marketing endeavors have to be seen and implemented as investment for better tomorrow. Despite lower incidence of premium product purchases, the rural consumers across all income segments exhibit marked propensity to spend on premium high quality products, which are backed by strong brand values, where they correspond to their own aspirations and quality needs. The problem really lies in market not being able to offer a premium product in the specific context of rural demand. The Indian rural market is a complex mosaic of mind-sets,

cultures, and lifestyles. While education, employment, income, agricultural land ownership may still be the major deciding factors accounting for social differentiation, they do not yield reciprocal cohort behavioral patterns with respect to consumption patterns, purchasing decisions and priorities of product ownership. Rural markets represent a distinct dynamic in how they come into being and make unique demands on how the product is designed and how the brand is positioned and promoted. Greater the strategic attention to these unique demands, greater is the chances of the product's success in the rural market.

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