

# Consumer Shopping Behavior in Rural and Urban Areas of India: A Study Report

Rasheedul Haque  
School of Business Management (SOBM),  
Kolej University Linton University College  
Malaysia  
rasheedul67@gmail.com

Dr. Rajneesh Kumar Srivastava  
Scherwood College of Professional Management  
Lucknow  
India  
dr.rajneesh71@gmail.com

**Abstract** - A vast majority of Indians live in villages whose behavior as consumers is believed to be largely different from urbanites. Consumer is the pivot around which the entire business revolves and consumers differ in how they make purchase decision, owing to variables like type of family, income, occupation, status, etc. and the role the individual play in the decision process. Understanding of consumer behavior, which leads to purchase, is therefore, very important. From marketing point of view, investigating family as consumption unit becomes crucial as attitude towards saving and spending, and even brands and products are molded quite often by the family. Therefore, decision making in families are complex phenomena to understand and quality as a bulk of decision are made in a group in order to have a choice suitable to all.

Families, rural and urban both are the most important organizations in the society that influences consumer buying behavior, and family members constitute the most influential primary reference group. Family as a unit has been researched extensively. We can distinguish between two types of families and their influence on buyer behavior: the family of orientation and the family procreation. The family of orientation consists of parents and siblings. A person acquires an orientation towards religion, politics, economics, and a sense of personal ambition, self-worth and love from his or her parents. Even if the buyer no longer interacts with his or her parents, their influence on the buyer's behavior can be significant. In countries where parents live with their grown children, it is seen that their influence can be substantial. A more direct influence on everyday buying is from the family of procreation, namely, one's spouse and children. This research paper is a comprehensive study that centers on differences in urban and rural families in the context of purchase decision making.

**Key Words:** Rural and Urban Families, Family of Orientation & Procreation, Decision Making Process.

## I. INTRODUCTION

India's vast rural market offers a huge potential for a marketer facing stiff competition in the urban markets. The rural market environment is very different from the familiar surroundings of the urban market. Rural consumers have customs and behaviors that the marketer may find difficult to contend with. The urban market in India has reached near saturation level and it is very difficult to tap it with high profit margin. Many national and international market players are trying to capture the urban market and making it

more competitive. Therefore, it is not easy to penetrate the urban market profitably. A large untapped market exists in rural India. The Indian rural market, with its vast size and demand base, offers growing opportunities for marketing products. About three-fourths of the populations live in rural areas and one-half of national income is generated there. The rural markets in India are growing fast as compared to urban markets. In fact, rural market in India is a new horizon in marketing for the both national and international traders. The following table of populations in India area wise is given below:

TABLE 1: Rural and Urban Population of India

Census Year	Population (Millions)			% of Total Population	
	Rural	Urban	Total	Rural	Urban
1	2	3	4	5	6
1901	213	26	239	89.2	10.8
1911	226	26	252	89.7	10.3
1921	223	28	251	88.8	11.2
1931	246	33	279	88	12
1941	275	44	319	86.1	13.9
1951	299	62	361	82.7	17.3
1961	360	79	439	82	18
1971	439	109	548	80.1	19.9
1981	524	159	683	76.7	23.3
1991	629	218	847	74.3	25.7
2001	743	286	1029	72.2	27.8

Source: Office of the Registrar General of India.

India population went up from 683 million in 1981 to 1029 million in 2001. During this period, rural population remained between 76.7 and 72.2 per cent of total population. Thus, the size of rural consumer group is quite large which about three-fourths of the total population is.

Rural marketing is a fashionable subject today, though it is far more important for a developing economy like that of India. Different people have different definitions of rural marketing [1]. The opening up of the domestic economy to external competition and the emergence of purchasing power in the rural areas, business and development professional calls for a better understanding of the concept and processes of rural marketing. Rural marketing is the process of developing, pricing, promoting, distributing rural specific goods and services leading to exchanges between urban and rural markets which satisfies consumer demand and also achieves organizational objectives.

## II. RURAL MARKETING BOOM

India lives in her villages. And also it would appear to India's consumers. Profitable farming and better marketing options in some states have made a large number of villagers potential consumers for Consumer Durables and FMCG (Fast Moving Consumer Goods) companies. The size and profitability of the rural market increases with agricultural development and infrastructure facilities [2]. The greater the agricultural development in an area, the greater the rural market. Villagers now consume everything from branded soaps to cold drink like Pepsi to electrical appliances like high horsepower tractors. Most of the manufacturers still think that urban areas the potential markets for their products. But the studies show that the rural share has been increasing over time:

TABLE 2: Demand: Rural Vs Urban

S. N.	Features	Rural	Urban
1.	Demand Pattern	Seasonal	Uniform
2.	Spread	Widely spread	Concentrated
3.	Literacy Level	Low	High
4.	Source of Supply	Inadequate	Adequate
5.	Physical Communication Facilities	Poor	Very Good
6.	Product Knowledge	Not Known	Known
7.	Awareness of Needs	Not Known	Known
8.	Source of Information	Word of Mouth mostly Oral	Any Media
9.	Product Concept	Not Known	Known
10.	Timeliness of Supply	Untimely	Timely
11.	After Sales Services Availability	Inadequate	Adequate
12.	Expenditure Pattern	Some What Unproductive	Productive
13.	Guidance on Usage	Needed	Not Needed
14.	Per Capital Income	Low	High
15.	Product as Status Symbol	Mostly No	Mostly Yes
16.	Consumer Protection	Rarely Available	Easily Available
17.	Choice of Brands	Low	High

Source: T.P. Gopal swami, Rural Marketing.

The demand pattern for consumer products has also changed. So, far his country's marketers, the rural reach is increasingly becoming the most important route of growth. Some companies like Hindustan Lever, Nirma, Parle Foods and Marico Industries are making inroads into the inter-land, usually displacing unbranded offerings and regional local brands. But their ingress remained restricted primarily to the 10 product categories with the highest penetration in the rural market. According to ORG-MARG survey, these products (together with percentage penetration, and brand with highest penetration) were as follows until a few years ago: Toilet Soaps (88.26% penetration – Lifebuoy), Washing Soaps (87.4% penetration – Nirma), Edible Oils (84.67% penetration – Palmolive, Anupam, Mustard Oil), Tea (79.09% penetration – Nirma), Biscuits (59.80% penetration – Parle-G), Coconut Oil (53.76% penetration – Parachute), Safety Razor Blades (45.34% penetration – Topaz) and Shampoos (38.28% penetration-Clinic). Source: Business Today – July 1999.

Trends indicate that the rural market are coming up in a big way and growing twice as fast as the urban, witnessing a rise in sales of hitherto typical urban kitchen gadgets such as refrigerators, mixer-grinders and pressure cookers.

### Enhanced Mobility and Improved Access to Rural Markets:

With the advancement of transport and communication system, mobility has increased. People from rural areas are coming to urban areas and from urban areas of rural areas. Now, there is an enhanced interaction, interchange and intermigration between rural and urban people and thus developing a common culture. When mobility increases, rural people come so close contact with the urban people and they feel inspired to proceed for fashion, comfort and other desirable things of urban life. The road network has facilitated a systematized product distribution system to villages [3]. An increasing number of companies are supplying village markets directly.

TABLE 3: Rural Market Share of Consumption

S. No.	Non-Durable Products	Share of Rural Percentage
1.	Analgesic Tablets	45.7%
2.	Batteries	56.2%
3.	Blues	52.3%
4.	Coconut Oil	41.6%
5.	Iodized Salt	51.4%
6.	Safety Razor Blades	54.1%
7.	Tea	51.3%
8.	Toilet Soaps	41.9%
9.	Washing Soaps	54.6%
10.	Washing Powder	46.4%

Markers of durable goods use direct contacts as a means to attract rural consumers to dealer points in large feeder villages or towns [4].

### **Challenges in Rural Marketing:**

Indian marketers on rural marketing have two understanding:-

- (i) The urban metro products and marketing products can be implemented in rural market with some or no change.
- (ii) The rural marketing required the separate skills and techniques from its urban counterpart.

The marketers have following facilities to make them believe in accepting the truth those rural markets as different in so many terms:

- The rural market has the opportunity for.
- Low priced products can be more successful in rural markets because the low purchasing, purchasing powers in rural markets.
- Rural consumers have mostly homogeneous group with similar needs, economic conditions and problems.
- The rural markets can be worked with the different media environment as opposed to press, film, radio and other urban enteric media exposure.

How reality does affect the planning of marketers? Do villagers have same attitude like urban consumers? The question arises for the management of rural marketing effects in a significant manner so than companies can enter in the rural market with the definite goals and targets but not for a short term period but for longer duration.

### **Realities Before the Marketers:**

70% of India's population lives in 6,38,365 villages in rural areas 90% of the rural population is concentrated in villages with a population of less than 2,000 with agriculture being the main business [14]. This simply shows the great potentiality rural India has to bring the much-needed volume-driven growth. This brings a boom in disguise for the FMCG Company who has already reached the plateau of their business urban India.

As per the National Council for Applied Economics Research (NCAER) study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas. There are almost twice as many 'lower middle income' households in rural areas as in the urban areas [15]. At the highest income level there are 2.3 million urban households against 1.6 million households in rural areas. According to the NCAER projections, the number of middle and high-income households in rural India is

expected to grow from 80 million to 111 million. Thus, the absolute size India is expected to be double that of urban [16].

### **Rural Market Potential:**

India is an agro-based economy and the growth of most of the other sectors of economy is driven by rural demand. Urban market is reaching towards saturation point, thus bringing in an urgent need to focus on rural development. Moreover, more than 70% of India's population lives in villages and constitutes a big market for industry because of increasing disposal incomes and awareness level.

In comparison to just 5,161 towns in India there are 6,38,365 villages in India. This in itself is an indicator where the real India resides. Companies are realizing slowly but surely that the key to gain true market leadership lies in tapping the rural potential. However, the rural sector in India suffers from different kind of problems. Some areas are having enough money but their level of awareness and consumerism is very low. But there are many areas where economic empowerment, education, health are major problems [7].

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 [5, 6]. A rural market can be defined as any market that exists in an area where the population is less than 10,000. The rural market in India is scattered and spread over a wide geographical area. Indian market is divided into urban and rural markets.

- Urban market is flooded with low demand.
- Rural market witnesses a high demand it's the rural segment of market that contributes more profit than its urban counterpart. Rural marketing broadly involves reaching customers, understanding their wants, supply of goods and services and ultimately satisfying consumers leading to more sales. The general impression is that only agricultural inputs like seeds, fertilizers, pesticides, cattle feed and agricultural machinery has a potential for growth in the rural market. However, there is a growing market for consumer goods now. It has been estimated the rural market is growing at the rate of five times its urban counterpart.

In recent years, rural markets have acquired significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. On account of green revolution, the rural areas are manufacturing products. In this context, a special marketing strategy, namely 'Rural Marketing' has emerged. But often rural marketing confused with agricultural marketing - the latter denotes marketing of produce of the rural areas to the urban consumers or industrial consumers,

whereas rural marketing involves delivering manufactured or processed input or services to rural producers or consumers [17].

Rural market has following attributes and the following facts substantiate this:

- ❖ 742 million people.
- ❖ Estimated annual size of the rural market-  
FMCG - Rs. 65,000 crore  
Durables - Rs. 5,000 crore  
Agri-inputs (including tractors) - Rs. 45,000 crore  
2/4 Wheelers - Rs. 8,000 crore
- ❖ In 2001-02, LIC sold 55% of its policies in rural India.
- ❖ Of two million BSNL mobile connection, 50% are in small town/villages.
- ❖ 41 million Kisan Credit Cards have been issued (against 22million credit-plus-debt cards in urban), with cumulative credit of Rs. 977 billion resulting in tremendous liquidity.
- ❖ Of the 20 million Rediffmail sign-ups, 60% are from small towns. 50% of transactions from these towns are on rediff on line shopping site.
- ❖ 42 million rural households (HHs) are availing banking services in comparison to 27 million urban HHs.
- ❖ Investment in formal saving instruments is 6.6 million HHs in rural and 6.7 million HHs in urban.

The durables for which purchase and use by consumers in rural areas exceed those in urban areas are as follows (NCAER):

- Sewing Machines
- Radio / Transistors
- Wristwatches
- Black and White Television sets
- Cassette Recorders
- Bicycles
- Table Fans
- Pressure Cookers

#### **Problems in Rural Marketing:**

Though rural markets are a huge attraction to marketers, it is not easy to enter the market and take a sizeable share of the market, in the short time due to the following reasons:

- ❖ **Low Literacy:** There are not enough opportunities for education in rural areas. The literacy level in rural areas is around about 36% when compared to all India average literacy rate as given below:

**Table 4:** Literacy Rate

<b>Literacy Rate from 1951-2001</b>			
(Figures are in Percentage)			
<b>Census Year</b>	<b>Persons</b>	<b>Males</b>	<b>Females</b>
1951	18.33	27.16	8.86
1961	28.3	40.40	15.35
1971	34.45	45.96	21.97
1981	43.57	56.38	29.76
1991	52.21	54.13	39.29
2001	64.84	75.26	53.67

**Source:** Office of the registrar general of India

It is indication that the literacy rates are increasing time to time and its reaches up to 64.84 % according to 2001 census. So the challenges in rural marketing are more due low literacy in rural areas.

- ❖ **Seasonal Demand:** Demand for goods in rural markets depends upon agricultural situation, as agriculture is the main sources of income. Agriculture to large extent depends upon monsoon and, therefore, the demand or buying capacity is not stable or regular.
- ❖ **Transportation Bottlenecks:** Transportation is the nerve center for any business center. But unfortunately, most of the rural markets are paralyzed in the absence of proper working of this nerve center. Lack of people roads and transportation facilities create difficulties in entering into rural market. Most of the villages do not have all weather roads. About 1.69 lakh villages have been connected by all-weather roads and only 92,800 villages are having fair weather roads. In many people are bound to go on foot because no transportation facilities exist in those areas. The country has the fourth largest railway system in the world, many parts of rural India remain outside the rail network. As regards road transport, nearly 50 per cent of the 570,000 odd villages in the country are still not connected by proper roads [18]. Kacha roads become unserviceable during the monsoon and interior villages get isolated.
- ❖ **Vast and Scattered Market:** A vast and scattered market exists in rural India. About 72.5 per cent of

the total population is spread in rural areas. In some state 80 per cent to 90 per cent people live in rural areas. Whereas the urban population of India is concentrated in 3,200 cities and towns, the rural population is scattered across 570,000 villages. And of them, only 6,300 villages, or less than 1.1 per cent, have a population of more than 5,000 each [19].

**Table 5:** Distribution of villages

<b>Distribution of Villages According to Population 2001 Census and Total Number of Inhabited Villages</b>		
Population	Villages	% of Inhabited Villages
10,000 and Above	3,962	0.67%
5,000 - 9,999	14,798	2.49%
2,000 - 4,999	80,407	13.55%
1,000 - 1,999	129,976	21.90%
500 - 999	145,408	24.50%
200 - 499	127,510	21.48%
Less than 200	91,555	15.42%
<b>Total No. of Inhabited Villages</b>	<b>593,616</b>	<b>100.00%</b>

**Source:** Office of the registrar general of India

The inference is clear; unlike urban demand, which is highly concentrated, rural demand is scattered over a large [20, 21].

- ❖ **Traditional Life:** Rural consumers are a tradition bound community. The culture, religion and even superstition strongly influence their purchasing decision. There is a dominance of traditionalist in rural areas. Beyond large, the rural consumers are marked by a conservative and traditional-bound lifestyle [8]. Life in rural areas is still governed by customs and traditions and people do not easily adopt new practices. For example, even rich and educated class of farmers does not wear jeans or branded shoes.
- ❖ **Communication Problems:** Business is a game of opportunities and one has to take full advantages when opportunities knock at one’s door. But in rural areas, the marketing system is unable to take advantages of these opportunities where as its counterparts in urban areas encases them. But the situations are fast changing optimum utilization of information technology, to connect rural India [9]. Koshika Telecom through a tie-up with Uptron Electronics has recently opened the first Cyber Dhaba in Ismailganj, near Lucknow. Cyber Dhaba will make it possible for rural fold to send and

receive e-mails from villages. Facilities such as telephone, Fax and Telegram are rather poor in rural areas. Now, Cellular Operators across the country are seeing more than 50 per cent of all incremental growth in their cellular business coming from small towns and rural areas, not necessarily from mobile-totting rich farmers atop tractors. Cell phone have reached the man on the cycle, the fishermen and village Sarpanch.

- ❖ **Buying Decision:** Rural consumers are cautions in buying and decisions are slow and delayed. They like to give a trial and only after being personally satisfied, do they buy the product.
- ❖ **Media for Promotions:** Television has made a great impact and large audience has been exposed to this medium [10, 11]. Radio reaches large population in rural areas at a relatively low cost. However, reach of formal media is low in rural households; therefore, the market has to undertake specific sales promotion activities in rural areas like participating in meals or fairs.

**Scope in Rural Marketing**

- Infrastructure is improving rapidly –
- In 50 years only, 40% villages have been connected by road, in next 10 years another 30% would be connected.
- More than 90% villages are electrified, though only 44% rural homes have electric connections.
- Rural telephone density has gone up by 300% in the last 10 years; every 1000+ pop is connected by STD.
- Social indicators have improved a lot between 1981 and 2001 –
- Number of "pucca" houses doubled from 22% to 41% and "kuccha" houses halved (41% to 23%).
- Percentage of BPL families declined from 46% to 27%.
- Rural literacy level improved from 36% to 59%.
- Low penetration rates in rural areas, so there are many marketing opportunities:

**Table 6:** Durable Percentage Urban & Rural

Durables	Urban	Rural	Total (% of Rural HH)
CTV	3.4	4.8	12.1
Refrigerator	33.5	3.5	12.0

FMCGs	Urban	Rural	Total (% of Rural HH)
Shampoo	66.3	35.2	44.2
Toothpaste	82.2	44.9	55.6

### Rural Consumer Insights

#### Rural Indian 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.
- Chik shampoo, second largest shampoo brand.
- Ghadi detergent, third largest brand.
- Fewer brand choices in rural areas; number of FMCG brand in rural is half that of urban.
- Buy value for money, not cheap products.

#### Some Live Examples of Strategies adopted by Companies:

- One very fine example can be quoted of **Escorts** where they focused on deeper penetration. They did not rely on TV or press advertisements, but rather concentrated on focused approach depending on geographical and market parameters like fares, meals, etc. Looking at the 'kuchha' roads of village, they positioned their bike as tough vehicle. Their advertisements showed **Dharmendra** riding **Escort** with the punch line '**Jandar Sawari, Shandar Sawari**'. Thus, they achieved whopping sales of 95000 vehicles annually to establish direct contact with them, and thereby facilitate sales promotion.
- **HLL** started '**Operation Bharat**' to tap the rural markets. Under this operation, it passed out low-priced sample packets of its toothpaste, fairness cream, Clinic plus shampoo, and Ponds cream to twenty million households.
- **ITC** is setting up **e-Choupals**, which offers the farmers all the information, products and services they need to enhance farm productivity, improve farm-gate price realization and cut transaction costs. Farmers can access latest local and global information on weather, scientific farming practices as well as market prices at the village itself through this web portal - all in Hindi. It also

facilitates supply of high quality farm inputs as well as purchase of commodities at their doorstep.

- **BPCL** introduced **Rural Marketing Vehicle (RMV)** as their strategy for rural marketing. It moves from village to village and fills cylinders on the spot for the rural customers. **BPCL** considered low-income of rural population, and therefore introduced a smaller size cylinder to reduce both the initial deposit cost as well as the recurring refill cost [12, 13].

#### Study Observations and Suggestions:

- Rural markets are developing speedy and the marketers (i.e. Local, National and International) are concentrating on this huge market by way of effective advertising, pouring a variety of branded and attractive packaged goods. As result, the consumption pattern of rural people has changed drastically. Rural market is a huge market and to tap it fully it is needed to improve the efficiency of distribution channel so that rural consumers receive required commodities at right time, at right place and affordable prices.
- One of the observations of the study is that illiteracy is a major hindrance in the way of rural marketing. So audio-visual ads are most effective in rural areas to inform the consumers regarding the commodities. Consumer awareness must be created by way of imparting consumer education.
- It was observed during the study that majority of the respondents (Male & Female) stated that brand does not matter to them. What they want is to fulfill their needs. However, some respondents had been using only specific branded goods and didn't shift to other brands. In this regards, I would like to suggest that the manufactures, the marketers should concentrate on brand value i.e. the quality, utility and reliability of their products.
- It can be inferred from the study that majority of rural women consumers use cheaper, low quality goods while men consumers use comparatively high quality goods.
- One of the observation of the study is that rural consumers purchase required goods from retail shops in the village. Whenever required purchasing is done from weekly bazars and Taluka places. Sometimes rural consumers purchase goods from district places.

- Rural consumers gradually are being habitual of eating at dhabas, small hotels and imitating their urban counterparts. They prefer to purchase small packs and low priced commodities e.g. small packs of Parle and Tiger biscuits, small bottles of Coca Cola and Pepsi etc.
- It is observed that consumption pattern of rural consumers is dependent on their income, occupations, educations and social status. Rural mindset accepts the brands easily, which are close to their culture. They have a special liking for folk culture so this can be taken in an effective utilization of brand promotions. May this point must be reflected in ad for rural markets.

### **Conclusions:**

Indian rural market is huge market with lot of potential in it. The rural market is growing at least 5 times the rate of the urban market [22]. “Every birds get the worms” that applies to the rural marketing. Nearly 70% of the Indian population is living in rural areas. So, importance is given to rural markets in the modern marketing seen, due to saturation level attained in the urban market. Thus, it is often said that: markets are made, not found”, this is especially true of the rural market [23]. It is a market meant for the truly creative marketer. A radical change in attitudes of marketers towards the vibrant and burgeoning rural markets is called for, so they can successfully impress on the 230 million rural consumers spread over approximately six hundred thousand villages in rural India.

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