

## CONSUMER BEHAVIOR IN RURAL MARKETING-A NEW PARADIGM

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### ABSTRACT

*Consumer behavior in the rural market is even more perplexing because of a singular lack of consistency in groups which are homogeneous in parameters of demographics-Age, occupation, education and income.*

*Most marketers realize that India is on the cusp of momentous change. The economy is vibrant, incomes are rising & the habits, preferences & attitude are changing rapidly. But no where is it more evident than in rural India. There is, thus an emerging need to build expertise in rural marketing.*

*There are three challenges that rural marketers must overcome. The first of this is the challenges of reach-markets in the rural India that are small & scattered making them inaccessible & unreliable or both. But this problem is not new & many companies let it hamper them unduly even as others overcome it with innovation. The next challenge is to ensure that the consumers are aware of your brand and want it. The third challenge in RM is influence.*

*It is an old saying that customer is the king because he is the person whose decision have affect on the demand of any product or service. The attitude of consumer or buyer decides how demand will emerge for a new product & service & how existing goods and services would survive in future and in which manner.*

*The study of consumer behavior implies how & why a particular consumer reacts to the decisions of producers. The study of consumer behavior is the study of how individual make decision to spend their available resources (time, money, effort) on consumption related items.*

*It includes the study of why they buy it, when they buy it, where they buy it, how often they buy it & how often they use it.*

### 1.0 STAGES IN THE BUYING PROCESS

Consumers pass through five stages while making a purchases decision. In low involvement rural and urban consumers may skip some of these stages. A woman buying

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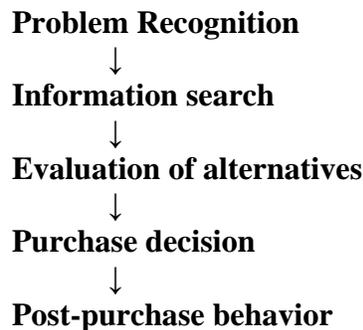
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her regular brands of daily use, groceries will identify the need and purchases from the shop, skipping two stages.

It is in the purchase of high-involvement products that a rural consumer display different motives relating to the problem recognition, source of information, Evaluation procedures, collective decision and different post purchase behavior. This creates need to treat each stage of the marketing process differently for rural and urban consumers.

### **Stages in the buying process**



In competitive environment one cannot thrust a product on consumer. He has to produce what is demanded or what can be demanded. Some of the advantage of study of consumer behavior is as under-

- Saves from disaster.
- Helps in formulating right marketing strategy.
- Helps in sales promotion.
- Helps in development of new products.
- Helps in product orientation.
- Helps consumer to study their behavior.

### **II.0 UNDERSTANDING RURAL CONSUMER**

In the initial years the focus was on the easily accessible well developed urban market. Soon there was proliferation of brands and intense competition resulting in the near saturation of the urban market. This forced companies to go for greener a pasture that is new markets.

All eyes turned to the world most promising potential market of 742 million rural consumers, who had yet to taste the fruit of modernity. A promise that seemed ready to be fulfilled because of explosion in the buying capacity in the rural sector.

## **II.1 SEVERAL MYTH ABOUT THE RURAL SECTOR**

- The belief that rural people do not buy brands.
- The belief that rural customer buy cheap products. In reality they seek value for money.
- The belief that the rural market is homogenous mass. In fact it is fascinatingly heterogeneous.

The census of India defines rural as any habitation with a population density of less than 400 per square kilometers where at least 75% of male working population is engaged in agriculture & where there exists no municipality or board leaning aside Hindustan Uniliver Limited & ITC, most companies in the FMCG sector would define rural as any place with the population up to 20,000.

Rural consumers are fundamentally different from their urban counterparts & different rural geographies display considerable heterogeneity calling for rural specific & region specific strategies e.g. a farmer in rural Punjab is much more progressive than his counterpart in Bihar. A farmer in Karnataka is far more educated than one in Rajasthan & so on.

An urban individual is free to take independent purchase decision. In a village, because of strong social structure, including caste consideration and low literacy level, community decision making is quite common. Companies face many challenges in tackling the rural markets. Marketing is all about “Getting to know your customer”. But having largely ignored this cardinal principle, most corporate in rural markets find that success has eluded them.

The rural market account for market worth of 27\$ billion. About 285 millions live in urban India whereas 792 million resides in rural areas. 72% of India’s population resides in its 600000 villages. Many companies like Colgate-Palmolive, HCL & Godrej etc. have already furrows into rural households but still capturing the market is a different dream.

For quite sometime now, the life of the rural India has been the subject of animated discussions in the corporate suites, with the urban markets getting saturated for several categories of consumer goods and with rising rural income. For example, Tata chemicals ran a chain called **Tata Kisan Kendra** which offered services ranging from agriculture input to financing to advisory services. Hindustan Levers is offering deals to farmers to cover operation from the pre harvest to post harvest stage. Mahindra & Mahindra limited, India's largest farm equipment company & its subsidiary Mahindra Shubhlabh services has operated in eleven states with 7 lacs strong Mahindra tractor customer base& 400+ dealers provide a complete range of products and services to improve farm productivity and establish market linkages to the commodity market chain.

The objective of this article is therefore threefold. The first objective is to develop a framework used to study consumer behavior in rural market. The second objective is to apply this frame work to examine and understand consumer behavior in rural areas. The last objective is to prefer generalization and recommendation to those wishing to market their product\services in the rural market.

### **III.0 PARADIGM**

Many comprehensive theories/models have been developed within the field of consumer behavior (*HARWARD and SHETH 1969; NICOSIA 1966*). Models have also been developed for specific context, such as for family decision making and information processing. These theories have played an important role by detailing how various factor influence consumer behavior. An extensive review of literature reveals that there is no simple framework that lends itself to a comprehensive study of consumer behavior. The paradigm proposed four sequential stages to represent the purchase and consumption processes. These four stages are named as **Access, Buying behavior, Consumption characteristics and Disposal**.

### **III.1 STAGES OF THE PARADIGM**

The four stages are briefly described below:-

**III.1.1 ACCESS-** the first step is to provide access to the product/services for consumer within rural areas. Access pertains to *physical* access as well as the economic access.

**III.1.2 BUYING BEHAVIOR-** this stage encompasses all factors impacting decision making and choice within a rural area. *Example* of these factors includes perception, attitude and consumer responses such as brand royalties.

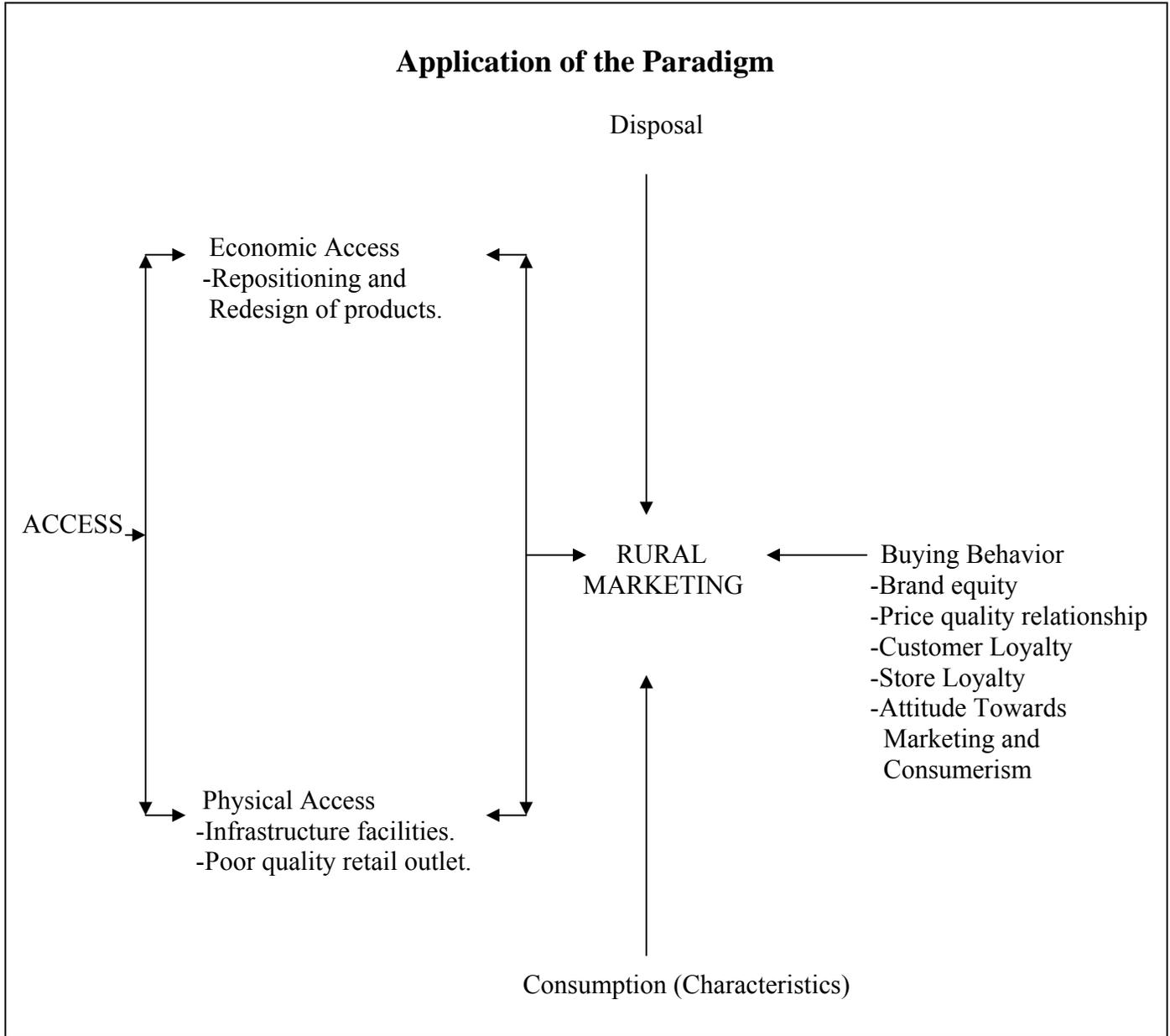
**III.1.3 CONSUMER CHARACTERISTICS-** the specific products/services that are purchased and consumed may be different in each area. The *cultural* orientation and social class distribution will determine consumption pattern within a culture.

**III.1.4 DISPOSAL-**many rural areas are becoming more environmentally conscious and are moving away from throw away products. Hence marketers need to design systems to facilitate the safe disposal, *recycling*, resale of products. They also meet their social responsibilities especially in relation to public safety and environmental pollution.

## **III.2 APPLICATION OF PARADIGM**

The paradigm offers a general framework to understand consumer behavior within any rural market. Secondly, in order to understand the broadest possible range of consumer behavior within any culture, the paradigm encompasses all aspects of purchases and consumption within a simple framework. Third, the four stages are arranged in a hierarchical fashion from the consumer's viewpoint. There can be no buying behavior unless products and services can be accessed and there can be no consumption unless there is buying behavior etc.

This approach also gives the marketer a systematic way to prioritize the marketing folk within a country, access issues should be considered first and disposal issues should be considered last. Note that this does not imply that disposal issues are any less important than access buying behavior or consumption issues since all four steps must ultimately be addressed. The added paradigm encourages managers to examine each stage from multiple perspective and is therefore consistent with the cross functional approach.



### III.2.1 ACCESS

Access can be divided into 2 types namely

- a) Economic access
- b) Physical access

Economic access relates to the issue of affordability of the product/ service for the rural population. According to NCAER the low penetration rates can be attributed to 3 major factors namely: low income level, inadequate infrastructure facility and different lifestyle.

Normally, the rural consumer spend the majority of their income in basic necessities which makes them price sensitive

The first factor influencing physical access is the country infrastructure which is comprised of essential service such as transportation system, communication system, utilities and banking system. Infrastructure not only has a tremendous impact on the age of conducting business in the country but is also vitally important for the future economic growth of India.

The second factor influencing physical access is a distribution strategy. The company can use delivery van which can serve two purposes:

a) It can take the product to the customers in every nook n corner to the market it enables firm to establish direct contact and facilitates sales promotion, annual “melas” organized are quiet popular and provide a very good platform for distribution because people visit them to make several purchases. For easy access of once own fund, ICICI bank has developed low cost automated teller machine (ATM) designed for rural areas and is aimed at increasing micro finance in rural India.

### **III.2.2 POOR-QUALITY RETAIL OUTLETS**

b) Retail outlets in rural area are often characterized as insufficient, time consuming and frustrating. Companies therefore, have to be creative and learn to work around these constraints.

The retail establishment where most rural consumers purchase their day-to-day goods is at a Kirana or street shop. Consumers purchase everything from Banana to razors at a kirana with over 2.5 millions kiranas Indian rural town and village. In order to reach these local shop and establish a brand presence in them companies need substantial amount of working capital and large committed sales force.

### **III.2.3 BUYING BEHAVIOR:**

Once the marketer has insured both economic and physical access to its product it needs to evaluate the buying behavior of consumers in rural areas.

To understand the buying behavior of rural consumers, we must go to the factors that influence their buying behavior. The factors include:

1. Socio-economic environment of the consumer
2. Cultural environment
3. Geographic location

4. Education/literacy level
5. Occupation
6. Exposure to urban lifestyles
7. Exposure to media and enlarged media reach.
8. The points of purchase of products.
9. The way the consumer uses the products
10. Involvement of others in the purchase.
11. Marketers effort to reach out the rural markets

Some of these points are discussed in some detail below:

**III.2.3.1 INFLUENCE OF CULTURE:** Culture and tradition influence perception and buying behavior. For example, the preference in respect of color, size and shape is often the result of cultural factors. Rural consumers’ perception of products is strongly influenced by cultural factors.

**III.2.3.2 GEOGRAPHIC LOCATIONS:** Rural consumer behavior is also influenced by the geographic location of the consumers. For example, nearness to feeder towns and industrial projects influence the buying behavior of consumers in the respective clusters of villages. We are discussing this aspect in detail in the section on market segmentation in rural markets. To cite one more example of how geographic location affects buying behavior, we can point out the fact that the lack of electricity in many rural households acts as a barrier to the purchase of certain consumer durables.

**III.2.3.3 EXPOSURE TO URBAN LIFESTYLES:** Extent of exposure of rural consumers to urban lifestyles also influences their buying behavior. An increased exposure and interaction with urban communities has been the trend in recent years.

**III.2.3.4 THE WAY THE CONSUMER USES THE PRODUCTS:** The situation in which the consumers utilize the product also influences their buying. The example of lack of electricity affecting buying behavior illustrates this point as well. Lack of electricity automatically increases the purchase of batteries by rural consumers. Similarly, since rural consumers cannot use washing powders/detergent powders that much, as they wash their clothes in streams or ponds, they go in more for washing bars and detergent cakes.

**III.2.3.5 PLACES OF PURCHASE:** Buying behavior of rural consumer also varies depending on the place of purchase. Different segments of rural buyers buy their requirements from different places/outlets. Some buy from the village shopkeepers; some from village markets/fairs; others buy from the **town** that serves as the feeder to the rural

area. It is also seen that the same buyer buys different requirements from different places. For understanding the buying behavior of the rural consumer correctly, the marketer must ask the question: Where from do they buy the products and why?

**III.2.3.6 INVOLVEMENT OF OTHERS IN THE PURCHASE:** Involvement of others in the purchase in the purchase decision is yet another relevant factor in this regard. There has been a change here in recent years. In the past, the head of the family used to make the purchase decision all by himself. In contrast, the involvement of the other members of the family in the purchase decision has been growing in recent years. An increase in literacy coupled with greater access to information has resulted in this development. The marketer has to reckon the role of the influencers while sizing up the buying behavior of rural consumers.

**III.2.3.7 MARKETERS EFFORTS TO REACH OUT THE RURAL MARKET:** In recent years, many corporate companies have been trying hard to develop a market for their products in the rural areas, investing substantially in these areas. This has brought about some change in the way buyers purchase different products. Developmental marketing has created discriminating buyers and hitherto unknown demand in the rural market.

All the above factors influence the buying behavior of rural consumer and hence their responses to the marketing mix variables, and the reference points they use for purchase decisions.

#### **III.2.3.8 BRAND EQUITY:**

Brand equity is another aspect of perception. Some of the brands like Colgate, Marlboro are popular brands in rural areas. It might therefore be advantageous to retain these brand names and packaging in rural areas, although companies might want to use the local language on the package itself.

#### **III.2.3.9 PRICE-QUALITY RELATIONSHIP:**

The next aspect of perception is price quality relationship. Mostly rural area consumers rely on word of mouth communication more than price as a means to judge quality.

## IV.0 CUSTOMER LOYALTY:

The key to a successful business is a steady customer base. After all, successful businesses typically see 80 percent of their business come from 20 percent of their customers. Too many businesses neglect their loyal customer base in pursuit of new customers. However, since the cost to attract new customers is significantly more than to maintain your relationship with existing ones, your efforts toward building customer loyalty will certainly pay off.



### Driving the loyalty cycle (sources:www.wisegeek.com)

Here are ten ways to build customer loyalty:

**IV.1 COMMUNICATES:** Whether it is an email newsletter, monthly flier, a reminder card for a tune up, or a holiday greeting card, reach out to your steady customers.

**IV.2 CUSTOMER SERVICE:** Go the extra distance and meet customer needs. Train the staff to do the same. Customers remember being treated well.

**IV.3 EMPLOYEE LOYALTY:** Loyalty works from the top down. If you are loyal to your employees, they will feel positively about their jobs and pass that loyalty along to your customers.

**IV.4 EMPLOYEE TRAINING:** Train employees in the manner that you want them to interact with customers. Empower employees to make decisions that benefit the customer.

**IV.5 CUSTOMER INCENTIVES:** Give customers a reason to return to your business. For instance, because children outgrow shoes quickly, the owner of a children's shoe store might offer a card that makes the tenth pair of shoes half price.

Likewise, a dentist may give a free cleaning to anyone who has seen him regularly for five years.

**IV.6 PRODUCT AWARENESS:** Know what your steady patrons purchase and keep these items in stock. Add other products and/or services that accompany or compliment the products that your regular customers buy regularly and make sure that your staff understands everything they can about your products.

**IV.7 RELIABILITY:** If you say a purchase will arrive on Wednesday, deliver it on Wednesday. Be reliable. If something goes wrong, let customers know immediately and compensate them for their inconvenience.

**IV.8 BE FLEXIBLE:** Try to solve customer problems or complaints to the best of your ability. Excuses — such as "That's our policy" — will lose more customers than setting the store on fire. Read our [60-Second Guide to Managing Upset Customers](#) for more information.

**IV.9 PEOPLE OVER TECHNOLOGY:** The harder it is for a customer to speak to a human being when he or she has a problem, the less likely it is that you will see that customer again.

**IV.10 KNOW THEIR NAMES:** Remember the theme song to the television show *Cheers*? Get to know the names of regular customers or at least recognize their faces.

## **V.0 ATTITUDE TOWARD MARKETING AND CONSUMERISM**

Consumer protection has historically not given in India especially in rural market. And government has recently attempted to set up consumer forums. The growing number of rural people working in **urban** India, but continuing to live in their villages, has brought an item of conspicuous consumption into the village. This is supplemented by villagers who have migrated to urban India, but visit their village during holidays with gifts for their family and friends. This has stoked the curiosity of hitherto satisfied villagers.

The rural consumer though not dissatisfied with his shopping basket, is now ready to buy products that does not view as basic necessities, or as essential to everyday life. The new consumer is born and growing day by day.

### **V.1 RURAL PENETRATION**

Increasing penetration of non essential items (per thousand)

| FMCG              | 1998-99 | 2004-05 |
|-------------------|---------|---------|
| Body telcom power | 452     | 624     |
| Face Cream        | 80      | 285     |
| Packaged biscuit  | 185     | 415     |

| DURABLES     | 1998-99 | 2004-05 |
|--------------|---------|---------|
| Motorcycle   | 16      | 50      |
| Refrigerator | 14      | 60      |
| TV(color)    | 18      | 80      |

### **VI.0 CONSUMPTION CHARACTERISTICS:**

India per capita income measured in terms of purchasing power parity estimated at US \$ 2,230 against US \$ 440 calculated by conventional method by translating rupees into Dollar at the prevailing exchange rate. Purchasing power parity has been used for comparison to capture available data through certain studies conducted by National council of applied Economic Research in 1996 and 2002. These studies have attempted to classify the consumer goods market according to the consumption behavior of its constituents.

Cultural pattern in rural areas determine whether a culture is traditional or modern in its outlook and that is a factor that can have a major impact on consumption pattern.

### **VII.0 DISPOSAL**

Extended channels of distribution provide numerous options for consumers who wish to move still useful but unwanted products to other consumers. The rationales that consumers use in choosing disposal options, including those resulting in redistribution,

are described. Affect and demographic correlates for each disposition tendency provide information to help develop consumer behavior theory regarding redistribution, as well as provide strategic implications for extended channels.

### **VIII.0 LIVE EXAMPLES :**

- ITC international business division has conceptualized the e – chaupal as a chain of internet kiosk connected through VSAT to facilitate procurement of specific commodities. Each kiosk is a part of hub-and –spoke model. This e-chaupal which offers the farmers all the information, product and services they need to enhance farm productivity.
- n-Logue communication was set up by the telecommunication and computer network(Tenet) of I.I.T., a group which is dedicated to evolving technically superior and cost effective solution for a country like India. n-Logue is a business providing internet ,voice, e governance, and other rural services through a network,.
- The project I-Shakti kiosk set up by H.U.L. in partnership with women self help group in Andhra Pradesh have received an overwhelming response from the local people. The kiosk offer information chiefly in the form of audio visuals in the following area:
  1. Health and hygiene
  2. E-governance
  3. Education
  4. Agriculture
  5. Employment
  6. Legal services
- The government of Madhya Pradesh initiated the GYANDOOT project in January 2000.in DHAR district Madhya Pradesh. The project include the installation of rural internet connecting 20 kiosk in the village *panchayat* centers

- BPCL introduced Rural Marketing Vehicle (RMV).as their strategy for rural marketing as it moves from village to village and fill cylinders on the spot for rural consumers.
- The GRAMEEN SANCHAR SOCIETY (GRASSO) is a bulk Franchisee of BSNL. It provides WLL and PCO to the rural people for communication.

## IX.0 CONCLUSION

The practical application of rural consumer behavior findings in Indian markets has often posed a problem for marketers for two reasons. **First**, most consumer researches in rural market has used a piecemeal approach. **Second**, there has been no comprehensive framework to integrate the findings in a meaningful manner. The paradigm is an attempt which provides a comprehensive framework that will enable marketers to understand, integrate and apply consumer behavior in the rural market.

Much of the discussion in this article had noted the possibilities of establishing the foot holds in rural market. First, these kinds of markets are heterogeneous; hence the marketer should frame different strategies to sell their products. However it must be noted that it is possible to capitalize on the similarities among the rural markets. The most important difference between rural and urban is in the degree of sophistications of the consumers. Urban consumers are generally familiar with such products, their attitude and value related to purchase and consumption will be different. Here the marketer may have to work harder to sell their goods in rural area because of diversity of values and attitudes present in these regions.

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