

Indian Economy: The Rural Urban Shift in Reference to Maruti Suzuki Ltd.

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Abstract

Rural markets are tomorrow's markets in India. They are big attractions to producers and marketers. Many companies are concentrating for their markets on rural markets as the urban markets have become saturated. The scope of future expansion lies in the developments of rural markets. Infact rural marketing is recognized as developing marketing in big business firms. Rural marketing in India has gained greater significance these days as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. As rural areas are consuming a large quantity of industrial and consumer products produced near the urban areas. In this context, a special marketing strategy, namely, rural marketing has replaced agricultural marketing which was confined merely to selling farm machines and other inputs. The rural market in India is vast and scattered and offers a surplus of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers. The industries are focusing on cluster-based development rather than individual set up. This would bring about an overall development.

Key Words: *Unexplored-Rural-Areas, Huge-Market-Potential, Economy Urban Market, Purchasing Power, Agriculture Marketing.*

Introduction

Rural Marketing in Indian Economy has constantly played an influential role in the lives of people. In India, except 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 behavioural factors operating in the country. The rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population. Maruti Suzuki, India's largest car maker is on an overdrive in the rural hinterland where it sells one out of every three cars sold. Company

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anticipates the rural market to contribute about half of its sales in the year 2015-16. To beat market blues during marketing slowdown, in sales, Maruti has opened 23 new retail outlets in towns and hamlets recently. The company has a rational base of rural sales and they are developing new markets and generating customers who have never used cars in these smaller towns to generating long term competitive advantage. Maruti identifies human settlement of around 10,000 as rural market and has sold more than 23,000 cars in such markets in June 2012. Maruti's rural marketing initiative started in 2007, when it identified many small clusters to sell cars and roped in Panchayat at functionaries to generate potential customers. Now many of these small clusters are generating constant sales. Rural markets have been playing strong role in sustaining growth of carmakers and even giving marketing bigger chunk of sales for bikes and scooters. Hero Moto-Corp's 46% sales are coming from rural markets and the share has been consistently rising. Higher farm incomes and sustained economic growth have led to an increased consumption in such area. Maruti believes that with the help of electronic and other media, it is easy to gain marketing rapid improvement in rural market. It is specially mentioned that premium cars like Swift, Dzire and SX4 have got almost equal share of sales from the smaller towns like their urban markets.

Shifting of the Market

India where the majority of the population, around 65% of the people, lives in rural areas has great significance for country. This big stratum cannot be discriminated. Due to competition in the urban market, the market is more or less saturated as most of the capacity of the purchase has been targeted by marketers. Therefore, the Maruti Suzuki marketers are looking for extending their product categories to an explored market, i.e., the rural market. The rural focus comes on the back of Maruti's strategy of hitting sales of three million units in the longer term. Maruti is managing to 'crack' the rural market on the basis of its focus on fuel efficiency and network expansion.

Changing Trends in Rural Markets and Emerging Opportunities

The factors which have the potential of changing the pattern of rural markets are as:

- Marketing marked increase in the rural income due to agrarian prosperity.

- Large inflow of investment for rural development programs from the government and other sources.
- Inflow of foreign remittances and foreign goods into the rural areas particularly Punjab and Gujarat.
- Increased contacts of rural people with their urban counterparts due to development of transport and wide communication network.
- Increase in literacy and educational levels and resultant inclination of educated youth towards sophisticated life.
- Change in the land tenure system causing marketing structural change in the ownership patterns and consequent changes in the buying behavior of rural people.

Because of the above changes, some of the following opportunities have emerged:

- Increase demand for products of common consumption.
- Increased demand for consumer durables.
- Preference for branded products than non branded goods of rural origin.

Progressive Facts

- The Indian rural economy has not been impacted by the global economic slowdown, according to a recent study by the Rural Marketing Association of India (RMAI). This is found that the rural and small town economy which accounts for 60% of India's income has become insulated from the economic slowdown.
- Moreover, rural income is on the rise driven largely due to continuous growth in agriculture over the years and increase in employment opportunities in the rural areas.
- Rural demand for Fast Moving Consumer Goods (FMCG), pharmacy, auto and consumer durables is estimated to match sales generated in urban areas soon.
- While durables market shrunk in urban India, rural market is seeing a 15% growth rate.
- FMCG sales are up 23% and telecom is growing at 13%.
- Mahindra & Mahindra is bullish on the rural and semi-urban markets, with its utility vehicle; Scorpio clocked over 60% sales in 2011-12 from the rural markets as against 20% earlier.

- TVS Motors also registered around 50% of its sales from the rural and semi urban markets during 2011-12.
- It is noticeable that 40% of the revenues of Maruti Suzuki come from the rural India, that is why, the company is opening new showrooms in the rural and semi-urban areas.
- Maruti Suzuki's six-year-old rural focus has earned rich dividends. Now, one-third of all cars sold by the company have drive down to the neighbourhood.

Futuristic Approach

Even after more than 60 years of independence, availability of adequate financial services is still a distant dream with several regions remaining un-banked. The government is aggressively pushing for huge investments in education, health and rural infrastructure which are the key elements of inclusive growth. The role of banks in ensuring financial inclusion in the backward regions is gigantic and cannot be done without actively leveraging technology and sans the involvement of the society as a whole. The recent decision of Reserve Bank of India to give banking licenses is a step in the right direction.

Issues in Rural Marketing

Rural markets in India are both fascinating and challenging. They offer marketing large scope on account of their sheer size and demand base. However, they pose complex problems like poor communication and distribution facilities, low literacy level, thinly populated and scattered markets, poor standard of living and socio-economic backwardness. Marketers have to diligently encounter these problems and put in a great deal of effort to get marketing sizeable share of the market. They must recognize that rural marketing is an out an out developmental marketing.

Conclusion

Industrialists are realizing that rural and remote area has a huge potential in the market waiting to be explored. Role of effective distribution network may be the game changer in reaching this segment. Banks too must seize this opportunity by expanding their network in the backward region, which would have a multiple effect on the local economy of the region that would provide substantial boost to the overall growth of the economy. Maruti's rural sales grew 16% in financial year 2013-14. At 336,463 units, this segment comprises 32% of the car market leader's total sales. The car sale in rural areas is now 32% of the

total sales. Future growth of the industry will be more and more from non-metro cities and rural areas. The company does continue to strengthen its sales and service structure in these areas. 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.

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