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## RURAL –URBAN CONSUMER BEHAVIOR AND POTENTIAL RURAL MARKET – A COMPARATIVE STUDY



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### ABSTRACT

There is potentiality of rural marketing but it needs to compare the behavior of rural consumer to urban consumer for developing the marketing strategies to tap the rural potential market. The present paper compares the behavior of rural consumers to urban consumers about buying and rural market potentiality. An attempt has been made to examine whether the rural consumers behavior differ towards buying and marketing potentiality regarding various attributes such as how they purchase consumer goods, what is their intension to purchase, preference to purchase, response for brand product, quality and price etc. The

Z test is parametric test to determine the statistical significant between a sample distribution mean and population parameter. The Z test is selected as parametric tests are more powerful, because their data are derived from interval and ratio measurements. The Z test is used for two independent samples, large sample size and two tailed test. The critical value for 5% significance level and two tailed test is 1.96 Since the calculated value is less than the critical value i.e.  $0.18 < 1.96$  we fail to reject the null hypothesis,  $H_0$  - There is no significance difference in the rural consumer's behavior and Urban consumer's behavior about buying and market potentialities Thus overall responds of marketing of rural consumers are equal to the urban consumers. There are huge potential opportunities to tap the rural market. The marketers required resources like time and money with innovative ideas having honesty.

**KEYWORDS :** *Potential rural market, Consumer Behavior.*

### INTRODUCTION :

*The father of nation Mahatma Gandhi rightly stated that "India lives in villages and villages constitute very heart of India."*

The population of India is 1,210,193,422 of which Rural population is 833,087,662 (Census 2011). Thus 68.84 per cent population lives in 5, 80,556 villages in India. Out of which 5, 93,601 villages have telephone connectivity and 1.47 village Panchayats have been connected through broadband. The average wage rate per day has increased from Rs. 65 in 2006-07 to Rs. 116 in 2011-12.

During the year, the number of telephone connections went up from 846.33 million to 943.50 million, which includes an increase of about 42.44 million in rural telephone connections. Overall teledensity increased from 70.89% to 78.10% and the number of wireless connections has gone up from 811.60 million to 911.18 million. Broadband connections increased during the year from 11.87 million to 13.54 million. The per capita income is also increased from Rs.53331 in 2010-11 to Rs. 60972 in 2011-12. The growth of private consumption also increased from 7.4 per cent in 2010-11 to 8.2 per cent in 2011-12.



This simply shows the great potentiality of rural market of India. The marketers now realize that there is a lot of opportunity for them to enter into the rural market. The rural market is a corner stone of the Indian economy. They excited about the rural population whose incomes are rising and the lifestyles are changing. There are as many middle income households in the rural areas as there are in the urban. Thus the rural marketing has been growing steadily over the years and is now bigger than the urban market. The share of consumers of lower and middle income groups is growing today. Over 70% of sales are made to middle class households today and over 50% of the middle class is in rural India. The incomes of rural middle income groups are rising and which is willing to spend on goods designed to improve lifestyle. The marketing players started developing marketing strategies to lure the untapped market.

#### REVIEW OF LITERATURE:

Sinha (2002) the corner grocer or the kirana store is a key element in the rural market in India due to housewife's unwillingness to go long distance for purchasing daily needs.

Taylor (2003) Grocery industry is strongly driven by price competitiveness.

NCAER (2006) as per the National Council for Applied Economic Research 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. This apparently is the result of development work, which happened under the five years plans and other special programs such as land reforms, rural electrification rural communication, and rural credit facilities, etc. The absolute size of the rural market is thus expected to double that of urban India. But despite the high rural share in these categories, the rural penetration rates are low, thus offering tremendous potential for growth.

Shivakumar D. (2007) - The business Head, Personal Products Division, Hindustan Lever Ltd.

Quoted that Hindustan Lever Limited spends Rs. 49,500 crores on products in urban India as

against is Rs. 63,500 crores in rural India.

Jha Mithileshwar (2007) – In order to utilize the immense potential of rural market in India, company needs to develop specific marketing strategies and action plans taking in to account the complex set of factors that influence consumer behaviors. Rural marketing cannot succeed if the marketing strategy and action plans are only extrapolation or minor modification of the urban marketing strategy and plans. Innovative companies who adopted an integrated approach have succeeded in utilizing market opportunities that rural area offer.

Hundal (2007) examined the comparative buying behavior of rural and their urban counterpart.

#### STATEMENT OF PROBLEM:

The purchasing power in rural India is on steady rise and it has resulted in the growth of the rural market. The market has been growing at 3-4% per annum adding more than one million new consumers every year. The growth rates are higher in rural markets in product categories like Soaps, Toothpaste, Talcum powder, Oils, Tea, and Cigarettes TV, Refrigerators Mobiles, etc. The rural Indian consumer is economically, socially, and psycho graphically different from urban consumers in the form of choices, consumer behavior, way of thinking, culture and tradition etc.

So the primary challenge of potential rural market is to understand the buyer and his behavior.

Generally the rural customer goes to the same retailer to buy goods. They trust each other. Also with the low education levels the behavior of rural consumer doesn't ask for the brand but ask like "laal wala sabun dena" or "paanch rupey waali chai dena". But today the rural buyers became literate; and even illiterate rural farmer or labor asked for brand product. There is potentiality of rural marketing but it needs to compare the behavior of rural consumer to urban consumer for developing the marketing strategies to tap the rural potential market.

#### OBJECTIVES OF THE STUDY:

The main objective of this paper is to compare the behavior of rural consumers to urban consumers about buying consumption goods and market potentiality.

#### Hypothesis:

The following null hypothesis is framed

$H_0$  - There is no significance difference in the rural consumer's behavior and Urban consumer's behavior about buying and market potentialities

$H_1$  - There is significance difference in the rural consumer's behavior and Urban consumer's behavior about buying and market potentialities

#### RESEARCH METHODOLOGY:

The study is based on primary data collected through a structured questionnaire. The consumer durable goods like Soaps, Toothpaste, Talcum powder, Oils, Tea, and Cigarettes TV, Refrigerators Mobiles consumers belonging to Osmanabad district of Maharashtra state, India are examined. Osmanabad district has 08 tahasils, out of these Omerga tahasil randomly selected for the primary data. A questionnaire is prepared in Marathi. A sample of 200 consumer durable goods consumers was selected. The consumer's survey was conducted in Omerga city through interview of 100 consumers as a urban area whereas, 100 consumers in 10 villages of omerga tahsil as a rural area.

**RESEARCH TECHNIQUES:**

The Z test is parametric test to determine the statistical significant between a sample distribution mean and population parameter. The Z test is selected as parametric tests are more powerful, because their data are derived from interval and ratio measurements. The Z test is used for two independent samples, large sample size and two tailed test.

**LIMITATIONS OF THE STUDY:**

The present study is limited to Omarabad district only and findings may not be applicable to other states/ county. Because the socio-cultural and geographical variances of the region. The world is changing and growing fast so the findings on consumer behavior of today will become invalid tomorrow.

Table – 1  
Primary Data Analysis

Variable	Category	Rural	Urban	Total	%
Age	Upto 25 years	17	48	65	32.5
	25-40 years	61	38	99	49.5
	40- 60 years	14	10	24	12
	Above 60 years	08	04	12	06
<b>Total</b>		<b>100</b>	<b>100</b>	<b>200</b>	<b>100</b>
Sex	Male	76	62	138	69
	Female	24	38	62	31
<b>Total</b>		<b>100</b>	<b>100</b>	<b>200</b>	<b>100</b>
Education	Illiterate	18	10	28	14
	Graduate	56	64	120	60
	Post Graduate	26	26	52	26
<b>Total</b>		<b>100</b>	<b>100</b>	<b>200</b>	<b>100</b>
Occupation	Agriculture	57	04	61	30.5
	Business	13	33	46	23
	Service	14	53	67	33.5
	Other	16	10	26	13
<b>Total</b>		<b>100</b>	<b>100</b>	<b>200</b>	<b>100</b>
Income Yearly	Up to Rs. 70000	20	10	30	15
	70000-150000	56	24	80	40
	150000-300000	14	51	65	32.5
	Above Rs. 300000	10	15	25	12.5
<b>Total</b>		<b>100</b>	<b>100</b>	<b>200</b>	<b>100</b>
*Overall Satisfaction		<b>Five point rating scale</b>			

Source – Primary data collection through interview of 200 respondents

**\*Overall satisfaction:**

The respondents are asked for 05 point rating scale 1) how they purchase consumer goods, 2) what is their intension to purchase, 3) preference to purchase, 4) response for brand product, 5) response to quality and price. It is assumed that the positive answer (yes) is considered as satisfaction. There are various factors affect to the level of satisfaction.

**The primary data given in the above table reveals that**

- The data analysis shows that the 76.5 per cent of the respondents are prefer to buy things in sachet format. Of which 74 per cent respondents are rural and 79 per cent are from urban. So it can be conclude that the launch of sachets which has transformed the rural market considerably as packaging in smaller units and lesser-priced packs increases the product's affordability.

- The consumer insight and affectionate towards family is another aspects of rural buyers behavior. The 76.5 per cent of the respondents are prefer to buy things due to their affectionate and insight towards family. Of which 74 per cent respondents are rural and 79 per cent are from urban. Thus marketers may understand this and then designing products accordingly.
- The major challenge of the rural marketing is taking place of branded product by fake product. The majority of the respondents affected by fake product in rural market. As rural masses are illiterate people and they identify a product by its packaging, color, visuals, size etc. Of which 74 per cent respondents are rural and 79 per cent are from urban. To get a larger profit on selling the counterfeits rather than the genuine products and hence is biased towards the fakes. Brands such as "Jifeboy", "Bonds Talcum", "Funny & Lovely" etc., which are doing the rounds of rural markets, pose considerable challenge to rural marketers. It can be conclude that there is need to be looked at fake products.
- Distribution channel for rural marketing are Door salesman, Halkers, Corner shops, Kirana shops, Retailers, Stockiest, Wholesalers, Hats, Mandis, Melas, Local bazaars, Big bazaars etc. The preference given by 76.5 per cent respondents to buy things from authorized retailers. Of which 74 per cent respondents are rural and 79 per cent are from urban. It can be conclude that the rural consumers believe on the brand and quality product.

**Hypothesis testing:**

The hypothesis framed in this paper is tested by using Z test at significance 0.05 level two tailed test. The value of mean, SD and Z are calculated by using SPSS software on the basis of data of 05 points rating scale given by 100 respondents.

**Table – 2**  
**Test of Hypothesis by using Z test**

Level	Rural		Urban		Calculated Value Z	Critical value
	Mean	SD	Mean	SD		
Satisfactory level	4.03	1.23	4.05	0.96	0.18	1.96

**Calculate value**

$$Z = \frac{\overline{X_{A1}} - \overline{X_{A2}}}{\sqrt{\frac{S_{A1}^2}{n1} + \frac{S_{A2}^2}{n2}}} = 0.18$$

The critical value for 5% significance level and two tailed test is 1.96 Since the calculated value is less than the critical value i.e. 0.18 < 1.96 we fail to reject the null hypothesis, H0 - There is no significance difference in the rural consumer’s behavior and Urban consumer’s behavior about buying and market potentialities

**To Conclude:**

Thus overall responds of marketing of rural consumers are equal to the urban consumers. There are huge potential opportunities to tap the rural market. The marketers required resources like time and money with innovative ideas having honesty.

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