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## A COMPARATIVE ANALYSIS OF CONSUMER BUYING BEHAVIOR IN RURAL AND URBAN AREAS OF INDIA: INSIGHTS FROM A STUDY REPORT

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### Abstract

Consumer buying behavior is a multifaceted phenomenon influenced by various socio-economic, cultural, and geographical factors. This study aims to investigate and compare the nuances of consumer buying behavior in rural and urban areas of India, shedding light on the distinctive patterns and preferences prevalent in these diverse settings. The study explores several key dimensions including demographic characteristics, socio-economic status, cultural influences, marketing stimuli, and purchasing patterns to elucidate the factors driving consumer behavior in these contrasting environments. Findings reveal significant disparities between rural and urban consumers in India, reflecting distinct purchasing behaviors shaped by unique contextual factors. While urban consumers tend to exhibit a higher propensity for brand consciousness, convenience-oriented shopping, and preference for technologically advanced products, rural consumers display a greater emphasis on traditional values, community influence, and price sensitivity. Moreover, the study identifies the role of social networks, family dynamics, and accessibility of retail infrastructure as crucial determinants shaping consumer choices in both rural and urban settings. Furthermore, the study underscores the evolving dynamics of consumer behavior amidst rapid urbanization, digitalization, and socio-cultural transformations in India. It emphasizes the need for marketers and policymakers to adopt a nuanced understanding of consumer preferences and tailor their strategies accordingly to effectively engage with diverse consumer segments across rural and urban landscapes. In conclusion, this study contributes valuable insights into the intricacies of consumer buying behavior in rural and urban areas of India, offering implications for businesses, marketers, and policymakers to devise more targeted and effective strategies in navigating the complex Indian consumer market landscape.

**Key Words: Consumer Behaviour, Rural and Urban Families, Family dimensions, convenience-oriented shopping**

### Introduction:

Consumer buying behavior is a multifaceted phenomenon influenced by various factors such as culture, social norms, economic conditions, and individual preferences. Understanding these intricacies becomes even more crucial when examining consumer behavior in diverse contexts like rural and urban areas, particularly in a country as culturally rich and economically diverse as India. This study aims to delve into the



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nuances of consumer buying behavior in both rural and urban areas of India, shedding light on the distinct patterns, preferences, and challenges faced by consumers in these contrasting environments. India's landscape is characterized by a sharp contrast between its urban centers, pulsating with modernity and rapid development, and its vast rural hinterlands, steeped in tradition and often grappling with infrastructural limitations. This dichotomy extends to the realm of consumer behavior, where factors such as income levels, access to information, cultural influences, and consumption habits significantly differ between urban and rural dwellers.

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.

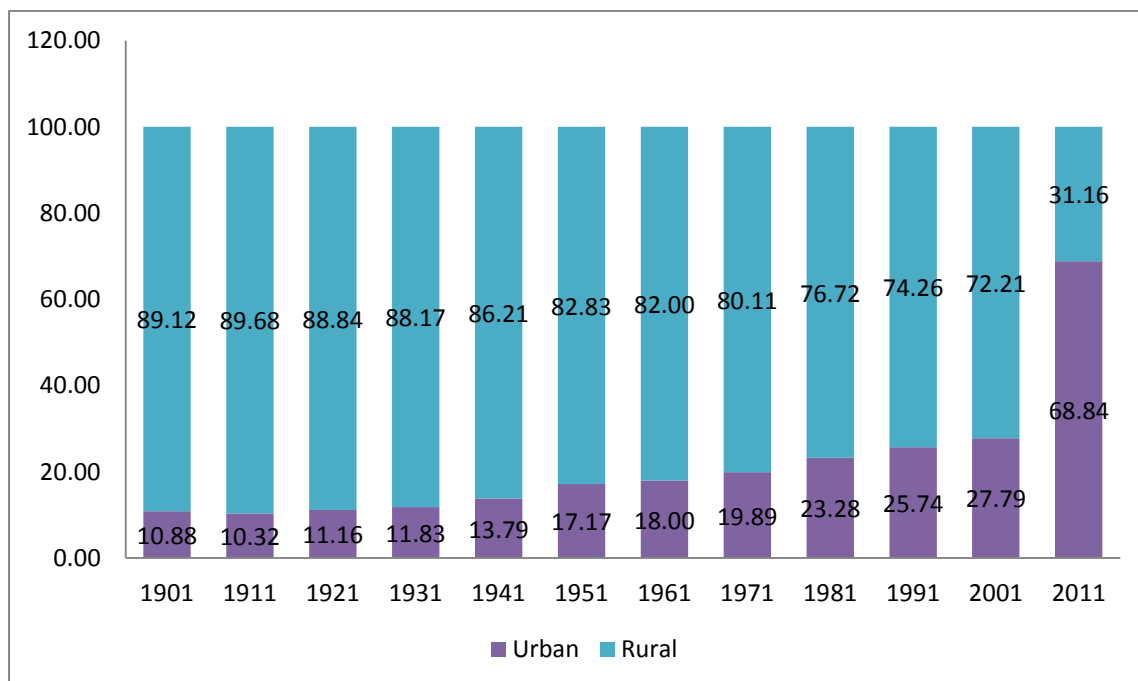
In urban areas, consumers are often exposed to a plethora of choices, with easy access to modern retail outlets, e-commerce platforms, and a wide array of products and services. Their purchasing decisions are shaped by factors like brand perception, convenience, peer influence, and lifestyle aspirations. On the other hand, rural consumers navigate a landscape characterized by limited access to formal retail channels, reliance on traditional distribution networks, and a strong emphasis on value for money. Their buying behavior is often deeply rooted in cultural norms, community influence, and pragmatic considerations.

Despite these apparent disparities, there exists a complex interplay of factors shaping consumer behavior across rural and urban India. Rapid urbanization, increasing connectivity, government initiatives, and shifting socio-economic dynamics are reshaping consumption patterns and blurring traditional distinctions between urban and rural markets. Understanding these evolving trends is essential for businesses seeking to tap into the vast potential of the Indian consumer market. 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:



Census Year	Population (Million)		Total	% of Population	
	Urban	Rural		Urban	Rural
1901	26	213	239	10.88	89.12
1911	26	226	252	10.32	89.68
1921	28	223	251	11.16	88.84
1931	33	246	279	11.83	88.17
1941	44	275	319	13.79	86.21
1951	62	299	361	17.17	82.83
1961	79	360	439	18.00	82.00
1971	109	439	548	19.89	80.11
1981	159	524	683	23.28	76.72
1991	218	629	847	25.74	74.26
2001	286	743	1029	27.79	72.21
2011	833	377	1210	68.84	31.16

Source: Census India



India population went up from 683 million in 1981 to 1029 million in 2001 and 121 million in 2011. During this period, rural population remained between 76.7 , 72.2 and



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68.84 per cent of total population. Thus, the size of rural consumer group is quite large which about three-fourths of the total population.

### **Emergence of Rural Marketing**

In simple terms, India's villages are where many people live, and these villagers are also becoming consumers of various products. This is because farming is becoming more profitable in some states, and there are better ways to sell things. Rural marketing, which means selling goods and services specifically to people in villages, is now popular to talk about, especially in a developing country like India. Different people define rural marketing differently, but it basically means creating, pricing, promoting, and delivering products and services to rural areas, so people there can buy them. As agriculture improves and villages get better facilities, the rural market becomes bigger and more profitable. Villagers now buy everything from branded soap to soft drinks like Pepsi to big machines like tractors. Many companies still focus on selling to cities, but studies show that more and more sales are happening in rural areas.

The demand pattern for consumer products has also changed. The rural reach is increasingly becoming the most important route to 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 progress 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 (86.46% penetration – Lifebuoy), Washing Soaps (79.37% penetration - Nirma), Edible Oils (75.67% penetration – Palmolive, Anupam, Mustard Oil), Tea (71.29% penetration – Nirma), Biscuits (63.80% penetration – Parle-G), Coconut Oil (52.76% penetration – Parachute), Safety Razor Blades (43.34% penetration – Topaz) and Shampoos (53.28% penetration-Clinic). Source: Business Today – July 2021.

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 hither to 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. An increasing number of companies are supplying village markets directly. Markers of durable goods use direct contacts as a means to attract rural consumers to dealer points in large feeder villages or towns.



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

Indian marketers on rural marketing have two understanding:-

1. The urban metro products and marketing products can be implemented in rural market with some or no change.
2. 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 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. 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 incoming' households in rural areas as in the urban areas. At the highest income level there are 2.3 million urban households are against 1.6 million households in rural areas. According to the NCEAR 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 doubles that of urban.

### **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 and urgent need to focus on rural development. Moreover, more than 70% of India's population lives in villages and constitutions 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



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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 have consumerism is very low. But there are many areas where economic empowerment, education, health are major problems.

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. 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 in to 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.

#### **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:

##### ❖ **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





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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. 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.

❖ **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. 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.

❖ **Buying Decision:**

Rural consumers are cautious 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. 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 70 years only, 90% villages have been connected by road, in next 10 years another 10% would be connected.
- ❖ More than 99% villages are electrified.
- ❖ 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 2001 and 2021 –

- ❖ Number of "pucca" houses doubled from 22% to 41% and "kuccha" houses halved (41% to 23%).



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- ❖ rural poverty declined from 26.3% in 2011 to 11.6% in 2019. The decline in urban areas was from 14.2% to 6.3% in the same period. The poverty level in rural and urban areas went down by 14.7 and 7.9 percentage points, respectively.
  - ❖ Rural literacy level improved to 67.77% in rural india.
  - ❖ Low penetration rates in rural areas, so there are many marketing opportunities:

#### **Purchasing Pattern of Rural Consumer**

- ❖ 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 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.

#### **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





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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. "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. 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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