

Editorial

Businesses in India are optimistic about growth of the country's rural consumer markets, which is expected to be growing faster than urban consumer markets. These days, there is better networking among rural consumers and their tendency to proactively seek information via multiple sources to be better informed while making purchase decisions. Mainly, the wider reach of media and telecommunication services provides information to India's rural consumers and influencing their purchase decisions. According to general trend, rural consumers are evolving towards a broader notion of value provided by products and services. This involves aspects of price combined with utility, aesthetics and features, and not just low prices. The lands in India consist of about 650,000 villages. These villages are enclosed by about 850 million consumers making up for about 70 per cent of population of our country and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing to as equal as the consumption patterns of urban areas. Some of India's largest consumer companies serve one-third of their consumers from rural India. Owing to a favourable changing consumption trend as well as the potential size of the market, rural India provides a large and attractive investment opportunity for private companies. India's per capita GDP in rural areas has grown at a compound annual growth rate 6.2 percent since 2000. While urban demand for consumer products remains sluggish worldwide, rural markets are growing faster than ever in some of the largest emerging economies. Nowhere is this phenomenon more evident than in India. From 2009 to 2012, spending by India's 800+ million rural residents reached \$69 billion, some 25 percent more than their urban counterparts spent over the same period. And projected growth rates are simply astounding: According to recent Nielsen estimates, consumption in rural areas is growing at 1.5 times the rate in urban areas, and today's \$12 billion consumer goods market in rural India is expected to hit \$100 billion by 2025. What's more, rural Indians are trading up. Commodities are giving way to branded products, and more-expensive goods are replacing entry-level versions, as consumers gain more disposable income. Their increased purchasing power is largely due to the steady migration of manufacturing jobs to the countryside. Many corporations are recognizing this enormous opportunity and stepping up efforts to gain a strong foothold in India's rural markets. But they are meeting with mixed results. An undeveloped transportation infrastructure, unreliable telecommunications and electricity services, inadequate distribution networks, and widely dispersed consumers make it costly to establish a profitable presence at scale.

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