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## *Issues and Challenges faced in Rural Market Development by (Power Transmission Division) J.K. Fenner India Ltd. (Gujarat Branch)*

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### I. INTRODUCTION

The rural market has been growing steadily over the past few years and is now even bigger than the urban market. About 70 per cent of India's population lives in villages. More than 800 million people live in villages of India. 'Go rural' is the marketer's new slogan. Indian marketers as well as multinationals, such as Colgate-Palmolive, Godrej and Hindustan Lever have focused on rural markets.

Thus, looking at the opportunities, which rural markets offer to the marketers, it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage. As a result of the Green Revolution in agriculture and White Revolution in dairy and other developmental activities implemented through the Five Year Plans, the productivity, prosperity and disposable incomes of the rural population have improved. Thus, the standard of living and life-styles of Indian rural people have also changed for better living. This situation has generated demand for a variety of fast moving consumer products, consumer durables and services. In the past, rural marketing was reckoned only as marketing of agricultural produce. Because of special interest taken by the Government, many regulated markets have been established in our country to facilitate proper marketing of farm produce. Adoption of scientific and commercial farming popularized the use of inputs like chemical fertilizers, pesticides, cattle and poultry feeds, high yielding varieties of seeds, and also tractors, tillers, other farm equipments etc.

Company which has taken to study is Jk Fenner(India)Ltd. Corporate office is at Chennai and here study is about its Gujarat Branch JK Fenner(India)Ltd.- Since 1987 when JK Fenner India Ltd came into the J.K. Organisation's fold, it has made steady progress and become a high growth entity. JK Fenner India manufactures Industrial and Automotive V-Belts, Oil seals, Engineering Products, and a whole host of new products providing total Mechanical Power Transmission and Sealing Solutions.

### II. OBJECTIVES

- To understand the concept of rural marketing
- To understand the potentiality of Rural Market especially in context of Gujarat.
- To discuss the industries covered by JK Fenner (India) Ltd.
- To discuss challenges facing by JK Fenner India Ltd in Gujarat state.

### III. METHODOLOGY OF THE STUDY

The study is a descriptive method. The Secondary data were collected from different sources, such as, text books, magazines, articles and websites. A preliminary study in the form of informal interviews with key persons of company.

## **What is Rural Marketing?**

Rural marketing is a process of developing, pricing, promoting, and distributing rural specific goods and services leading to desired exchange with rural customers to satisfy their needs and wants, and also to achieve organizational objectives.

The main reason why the companies are focusing on rural market and developing effective strategies is to tap the market potential that can be identified as follows:

### **1. Large and scattered population:**

According to the 2001 census, 740 million Indians forming 70 per cent of India's population live in rural areas. The rate of increase in rural population is also greater than that of urban population. The rural population is scattered in over 6 lakhs villages. The rural population is highly scattered, but holds a big promise for the marketers.

### **2. Higher purchasing capacity:**

Purchasing power of the rural people is on rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.

### **3. Market growth:**

The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durables such as refrigerators, TV and washing machines has also grown over the years.

### **4. Development of infrastructure:**

There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.

### **5. Low standard of living:**

The standard of living of rural areas is low and rural consumers have diverse socio-economic backwardness. This is different in different parts of the country. A consumer in a village area has a low standard of living because of low literacy, low per capita income, social backwardness and low savings.

### **6. Traditional outlook:**

The rural consumer values old customs and traditions. They do not prefer changes. Gradually, the rural population is changing its demand pattern, and there is demand for branded products in villages.

### **7. Marketing mix:**

The urban products cannot be dumped on rural population; separate sets of products are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers.

### **Potentiality of Rural Market especially in context of Gujarat.**

Mahatma Gandhi's statement that "India lives in her villages" was apt considering that over 620 million people live in the more than half a million Indian villages. It is, therefore, interesting to assess the current situation in rural India, and analyse macro-level patterns and trends while appreciating the fact that differences do exist at the micro level.

At present, rural income constitutes 56 per cent of the total income and is growing at the rate of 5.6 per cent; urban income, on the other hand, is growing by only 5.4 per cent annually. Nearly Rs 14,000 crore was invested in the development of the rural

sector during the Seventh Five-Year Plan. This led to increased rural disposable income. The relatively low cost of living as compared to that in the cities has also increased the value of this income.

A recent survey by the National Council of Applied Economic Research reveals there are 33 million households in rural India with a monthly income of Rs 1,000 or more. Interestingly, there are only 25 million urban households in this bracket. Monthly rural expenditure averages at approximately Rs 175 per person on consumer goods, but as much as 25 per cent of them spend Rs 215 and more each month. This is not much less than the urban per capita average monthly consumer expenditure of approximately Rs 266.

Exposure levels Television has been a major cause of an explosion in awareness levels, which has complemented the rapid changes on the economic front. Access to new information and knowledge has become a part of daily life, at least among the affluent. Today nearly 75 million rural adults are exposed to television regularly and many more to radio. A significant number of them are aware of developments beyond the confines of their villages.

The second major catalyst has been the increase in literacy levels and consequent migration of sizeable chunks of the population to cities and towns. Such migrants bring back on trips to their villages all the experience of urban living.

The third element that has influenced rural consumption patterns is the social change that has affected the age-old practice of investing in land. A significant number of people are choosing to invest in consumer durables rather than in land. The development of communication systems, both road and telecommunication, has provided the necessary foundation for increased economic activity.

As Gujarat, at present, contribute highly in GSDPA through agriculture, the measure driving factors are due to irrigation i.e. Sardar-sarovar project- which caters about 1800 villages), roads, power. These essential factors plays a key role to make Gujarat more potentially strong, globally.

GRIMCO (Gujarat Rural Industries Marketing Corporation Ltd.) is established on 16th May, 1979 under Companies Act, 1956. It is fully owned and promoted by Govt. of Gujarat under Cottage & Rural Industries Sector.

GRIMCO is working for providing employment to the artisans of Cottage & Village industry.

Execution of various schemes introduced by various Department of the Government.

#### **IV. INDUSTRIES COVERED BY JK FENNER INDIA LTD**

J.K. Fenner (India) Limited is a member of the JK Organization which ranks among the top Industrial houses in India for over 100 years. The name "Fenner" has been synonymous with Mechanical Power Transmission and Sealing Solutions. Fenner commenced operations in India in 1929 and put up their first manufacturing unit at Madurai in Tamilnadu in the year 1956. Currently there are 7 manufacturing units over 5 locations.

The product lines cover V-Belts, Oil seals, Moulded Rubber Components and Engineering Products for applications in both Industrial and Automotive mechanical power transmissions. The Industrial segment would address major sectors like Steel, Cement, Coal, Sugar, Power, Paper, Textiles, Food processing, Agriculture and many other.

J.K. Fenner India's products have been synonymous with quality & reliability in Mechanical Power Transmission Engineering across the globe for over 140 years offering not only the best of products but also complete solutions. Our range of products viz. Belts, Pulleys, Couplings, Variable Speed Drives, Clutches & Gear Boxes has become the industry bench-mark over the years being manufactured in state-of-the-art facilities accredited with various Quality Certifications.

Automotive Belts and Oilseals form an important part in almost all vehicle segments. Belts are used in a variety of applications for driving radiator fans, water pumps, alternators air conditioning compressor etc.

Oil seals are used as a sealing medium for oil/fluids in various automobile applications such as engine, transmission, wheel, front fork, power steering etc.

Fenner has recently launched a range of new products under the brand name "JK Pioneer" - Bearings, Hoses, Rice Rolls and chains for the Industrial Segment and Engine Mountings, Centre Joint Rubbers and Suspension Bush Kits for commercial vehicles and passenger cars in the Automotive Segment. Industries covered by company in Gujarat region is divided in three territories-

- Saurashtra
- North+Central Gujarat + Kutch District
- South Gujarat

List of Industries covered in Saurashtra-

- Brass and Metal(Jamnagar)
- Marine Industry(veraval)
- Steel rolling mills(Bhavnagar)
- Agriculture thresher manufacturers(Jasdan)
- Ginning and Oil Industry at Surendra Nagar and Rajkot
- Ceramic and Paper Industry at Morvi
- Cement Plant (Rajkot and Amreli)
- Machine Tool manufacturing at Rajkot
- Agricultural Pumps
- CNC (Computer Numerical Control) Manufacturing Rajkot.

**List of Industries covered in North+South+Kutch-**

**Baroda and surroundings-**

- 1) Engineering/Machinery Manufacturing(OEMs)
  - Construction Equipments
  - Crushers
  - Foundry
  - Paint
  - Packaging
  - Chemical
  - Crain
  - Food Processing
  - Sugar/Paper Machine Manufacturing
  - Pumps/Fans/Blowers/Compressors

**2) Process Industry**

- Pharmaceutical
- Chemical
- Bearing
- Flourmills
- Cold drink

3) Automotive Industries(Halol)

4) Plastic Recycling(Halol)

5) Road Construction equipments (Sevalia/Dhansura)

6) Rice Mills/Dal Mills (Dabhoi)

**Anand-Anand** is known for following big organizations-

1. Elecon

- Material handling
- Gearboxes/Gear
- Mining Equipments

2. IDMC (Indian Dairy Manufacturing Co.)

- Dairy Equipments

3. Amul Dairy

- Dairy Product

4. Anupam/Oswal/Shati

- Crains

5. Furnace

6. Paint

7. Crusher

8. Boll Mill

9. Chemical

**Nadiad-** Wooden Industry

**Kheda-** Rice Mills

**Ahmedabad-** Ahmedabad is a place where one can find all manufacturer of machinery and tools.It is Hub of OEMs.

- Engineering OEMs
- Textile Industry
- Chemical Industry

- Rice and Dal Mills(Sanad and Bawla)
- Ceramic and Agriculture (Gandhinagar)

**Gandhinagar-** Ginning/oil and Engineering units

**Mehsana-**

- Ceramic Machinery Manufacturing
- Ginning & Spinning (Textile & Process)(Vijapur and kadi)
- Cotton seed and cotton Industry
- Road Construction Equipment
- Thresher Manufacturing(Unjha and Vees Nagar)

**Palanpur-** Pumps and Agriculture Industry

**Kutch-**

- Steel Industry
- Wooden Industry(600 Units)
- Power and Port Industry
- Cement Industry & China Clay Industry

**South Gujarat-**

- Sugar(Surat),Paper(Vapi),Pumps OEM(Valsad)
- Packaging Manufacturing(Vapi)
- Textile & Looms(Surat)
- Chemical (Ankaleshwer)
- Power and Ports
- Petro chemicals
- Bio Science
- Diamond(Surat)

## V. CHALLENGES FACED BY JK FENNER (INDIA) LTD

Rural population is scattered over a large land area. And it is almost impossible to ensure the availability of a brand all over the country. District fairs are periodic and occasional in nature. Manufacturers and retailers prefer such occasions, as they allow greater visibility and capture the attention of the target audience for larger spans of time. Advertising in such a highly heterogeneous market is also very expensive. Sales people also need special skills to handle the customer. Some problems and challenges are listed down as follows-

### Issues and Challenges at Saurashtra territory -

1. **Low Cost High Potential-** Customer usually prefer low cost products Because of industrial development in Gujarat market is developing but still premium product of fenner facing the competition.

2. **Fragmented Market Structure**-In saurashtra area market structure is so fragmented players who have low cost strategy to penetrate like- Shakti,Rajendra & Laxmi such local players are nominating the market other low cost Chinese players are there like SWR and Dongile.
3. **Entry of Chinese Players**-Gimplex,endura,SWR and Dongile is threat for the company
4. **Perception Problem**- People have certain mind set that some industries are specific product will work fenner wont work like in brass industry only twisted belt will work which is only a perception not reality.
5. **Internal Competition**-As it is majority segment is low cost market and company is having both premium & economic brand in belt-“Poly F Plus PB” is premium brand which is having 26 dealer’s and covering all territory whereas “Ecodrive” is economic brand which is having only one distributor.when some customers who demands for fenner in such cases Ecodrive people telling about Ecodrive only not telling about premium brand so it becomes a challenge in front of dealers.

### North+Central+Kutch Area’s Challenges

1. **Price Issue**-Highly competitive market so bargaining power of buyer is so high.
2. **Competition**-level of competition is so high availability of substitute products and competition with Rathi,Elecon,Pix,SKF,Contitech is very challenging.
3. **Delivery Issue in remote areas**-As the above description tells that its coverage is so vast any so many industries are situated at remote location so delivery on time is a concern.
4. **Project delays in big organizations**-This territory covers Power and Ports also so if their projects gets delayed the entire sales cycle gets delayed.
5. **Unorganized Channels**-Dealers do not keep their sales force updated while competitors started focusing on that about keeping updated as well as training..
6. **Collection of Payment**-After agreeing on payment terms it always get delayed,still collection of payment is an issue of concern.
7. **Company warehouse is not available for engineering product**-Fenner is having its warehouse for belts only but for engineering products like-pullys,coupling,gearboxes company is having central warehouse which is at Hyderabad.When company is not having its warehouse and these products are high value products and its carrying cost is high so distributor keeps limited inventory so the market reach is difficult or negligible for upcountry market so it’s a opportunity loss for the company.
8. **Dealers are less active in Kutch area**-They do not move to the market and meeting customers hence they are not able to generate inquiries and in Industrial marketing it is important to meet customers on regular basis.

### Issues and Challenges at South Gujarat territory-

1. **Lack Of Availability Of Timing Belt**-Company keeps it in large range but still not able to meet with demand because of high lead time.
2. **High consumption & High Expectations**- In this territory high consumption of products are existing but the problem is customer needs those products on low prices.
3. **New Product Development & New Market development**-At sea cost areas there sea food farmers are having their aerators to grow sea creatures company has designed their own aerator which will consume 40% less power so it’s a challenge how company will make them switch on the basis of power saving characteristics.

4. **Do not have strong stockiest for engineering products-** company is not having good stockiest who can keep good stock to supply at textile industries.

**Recommendation & Suggestions- Few suggestions are listed out are-**

1. Company should emphasis on demand generation activities specially in upcountry market to create awareness such as Road shows, Van Campaign etc.
2. To increase the number of technical seminars in industries covering potential customers of different segments.
3. Conducting user awareness programme such as- Drive check campaign to make user aware about Do's & Don't related to power transmission drive maintenance ,Distributing gift articles to users,
4. To focus on promoting other products also available in range to existing customers who are buying one or two products of the company in nutshell provide entire basket of the products.
5. Sign boards can be distributed to retail outlets.
6. Dealers should keep trained staff who can visit the market and meeting customers frequently to get regular inquiries.
7. Should come up with the strategy so that untouched market can be identified and m share can be increased.
8. Pricing strategy should be upcountry market specific and low cost market.

**VI. CONCLUSION**

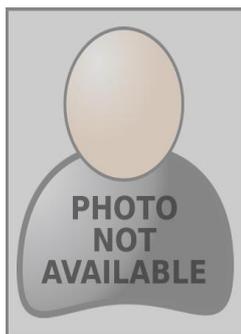
After having all these description we can understand that if one want to survive in market its not possible by ignoring the rural market because geographically if we will see the location of the industries which the company is covering its in rural and outskirt area of the cities.

And to resolve certain problem like at saurashtra where low cost belt is required so company has introduced Ecodrive belt to compete the market, take part in exhibitions and ddeveloping secondary sales channel.

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