RURAL INDIA: A PROMISING MARKET PLACE - A CASE STUDY

Ms Asha E Thomas*

Abstract : *Villages are integral part of any nation. They become even more important in the Asian and African context, where a majority of the population lives in villages. Rural Marketing is all about planning and implementation of marketing function for the rural areas. The key for succeeding in rural markets lies in comprehending the psychology of rural consumers and their needs. This study is conducted to assist marketers who are trying to enter into the rural markets of India. To achieve this objective, the researcher has studied the behavior of rural consumers, the importance of rural markets and the possible issues and challenges that will be faced by the companies trying to penetrate into rural market. Strategies for effective rural marketing have also been evolved through the research by focusing on the existing players in the rural markets of India. Rural marketing in India has a tremendous potential. But the key challenge that companies face in rural markets relates to developing appropriate products with affordable pricing taking into account the divergent characteristics of Indian villages.*

Key Words: Rural Marketing, Rural Consumers, Indian Villages, Emerging Economies, Promising Market Place, Rural India

Introduction

"There has been no impact of the economic slowdown on the rural economy. On the other hand, rural markets offer great opportunities to marketers trying to find a way out of the current economic crisis."

Kashyap,
Vice-President of RMAI & CEO of MART

Introduction

Rural Marketing can be defined as a "process of delivering better standard of living and quality of life to the rural environment, taking into consideration the prevailing rural milieu. It encompasses social interactions between the rural and urban as well as within rural areas, which may be spontaneous or planned" (Rao, 1985).Importance of rural markets in emerging economies is growing day by day. Increase in purchasing power and thereby the demand for wide variety of products by rural consumers paved the way for greater opportunities in these markets. The next big marketing revolution in the emerging countries could be expected to happen in the rural sector. This underlines the importance of studying the rural markets and evolving new strategies that can help in penetrating among the rural consumers.

Rural marketing in India, in its present form, is the net result of evolution over many decades. The different phases in the evolution can be categorized as:

- From Independence to Green revolution
- Green-Revolution to Pre-Liberalization Period
- Post-Liberalization extending up to 20th century
- The 21st century

In a country where a larger portion of population falls under the category of 'poor', success of rural marketing can be ensured only through developmental strategy. It should be a business model to create a win-win situation.

In India rural areas are still home to more than 70% of country's population. Rural marketing can bring in higher revenues because there are around 450 districts and more than six lakh villages. Two third of country's consumers live in rural areas and almost 50 percent of the national income is generated here. With more than 120 million households, rural population accounts for nearly three times of that of urban. The present trend appears to be one of manufacturers developing new products with rural consumers in mind besides using various marketing

*Assistant Professor, SCMS COCHIN, Prathap Nagar, Muttom, Aluva-683106
Email —asharoms@gmail.com, Phone No: 9495944537 & Research Scholar-MG University

strategies for their brand promotions in rural sector. The importance of Indian rural sector lies in the fact that urban market in India is getting saturated because of several players. The supply is often more than the demand. Moreover, growth in agricultural sector has also resulted in the rapid rise of rural income.

Growth obtained by the companies through their rural penetration during the recent years can also be cited as evidence supporting for rural marketing ventures. One of the largest Fast Moving Consumer Goods (FMCG) Company in the country, Hindustan Unilever has more than half of its sales coming from rural market. The situation is more or less similar for many big players like LG Electronics, Coca-Cola, Britannia, Philips, Life Insurance Corporation of India, who have a very significant presence in the Indian rural market.

Taking into account all these factors, the present study is conducted with the theme of helping the marketers who are trying to enter the rural markets of India. To achieve this objective, this researcher has studied the behavior of rural consumers, the importance of rural markets and the possible issues and challenges that will be faced by the companies trying to penetrate into rural market. Strategies for effective rural marketing have also been evolved through research by focusing on the existing players in the rural markets of India.

Understanding Rural Consumers

The rural consumer was not important till recently due to his low purchasing power, limited size of market and narrow approach towards market. However, the emergence of a liberalized economy and the saturation of urban market have given birth to varied marketing policies which business agencies have adopted to attract rural consumers. The growth of the service sector, commercialization of farming, expansion of administrative and commercial services in the rural areas has changed the demography of rural consumers. Although profiling of rural consumer is very essential for formulating rural marketing strategies, it is very difficult to develop a single personification that can represent the whole market accurately.

There is a tremendous heterogeneity in the rural market, because the educational background, income levels ,socio-cultural outlooks, brand behaviors and their overall awareness level differ from not only region to region but very often within the region itself. Therefore, the marketers have to treat rural markets as a mosaic of different markets.

Issues and Challenges in booming rural marketing:-

The Indian rural market is very large in size and diverse in nature. The main source of income for rural people is agriculture and hence the seasonal nature of agriculture and the frequent crop failures will adversely affect their purchasing power. Moreover, poor infrastructure, heterogeneous population, complex buying behavior and price sensitive consumers all impose severe challenges on marketers trying to enter the rural markets. The major problems exhibited by Indian rural markets include:

- Large and diverse market which restricts the proper implementation of marketing strategies. Seven Indian states accounts for more than 75 percent of country's rural retail outlets, which is around 3.5 million in number and it becomes extremely difficult for the marketers to even make the product available at all retail outlets.
- Underdeveloped markets having traditional methods and practices
- Traditional outlook of people in rural areas which plays a major role in influencing their thinking and purchasing behavior. However, the increasing rate of literacy has helped a lot in resolving this situation
- Improper infrastructure and communication facilities making the marketing communication activities expensive. Many villages in the country do not even have proper road facilities and many, having road facility become inaccessible during monsoons, making the situation even worse.
- Low per capita income compared with the urban population, which has a direct impact on the rural purchasing power
- Absence of adequate banking and credit facilities in rural sector
- Diversity in socioeconomic background of rural consumers, who are spread across the country with diverse social background and economic status, making the job of designing suitable products and services for them more difficult.

Multi National Corporations(MNCs) in Rural Marketing

The rural market is growing in India. The attraction of rural markets lies in their size as mass market .Every year more than 2 million households are added. With new players entering the battle the urban market gets crowded and manufacturers are struggling to hold on to their market shares. As a result they have to look for new avenues. The obvious choice is to go to villages where the market has not been fully exploited. Many of the national and multinational companies have come to realize this and are gearing themselves for exploiting the rural potential. Currently there are several companies engaged in increasing their products and marketing to the worldwide economy.

Coco-Cola India adopted the hub and spoke model for reaching out to the rural population after identifying the vast potential of rural India. The objective was to have an efficient distribution network. The company appointed a main distributor for a village who would serve as a hub and receive full load supplies for a supply period which was normally twice a week. Small distributors are appointed by these main distributors to serve as spokes and the result is uninterrupted distribution through out the year. The rural market was attractive for the company as the total consumption of Coco-Cola in rural area was less than 18 percent when compared with urban consumption of more than 30 percent. The company also increased the number of distributors in rural India by more than 10 percent .During 2001-2203, the number of distributors in rural India was increased from about 4,000 to more than 5,000 which resulted in increasing the penetration rate from 13 percent to 25 percent.

The company also positioned the drink with a tagline "Thanda matlab Coco-Cola" meaning Coco-Cola is equivalent of chilled drinks. Rural areas in India generally used the word 'Thanda' to refer to a chilled drink. The company also made celebrity Aamir Khan as brand ambassador to promote the product (a well-known bollywood actor) who played several characters like that of a farmer, a shopkeeper, a government official to ensure the popularity of the product among rural mass. This helped the company in penetrating the rural market at much faster rate.

The growth of mobile users in rural India is expected to have an increase of more than 60 percent by 2011.Many mobile companies have already realized this and they have introduced many new products exclusively to rural people. The multinational company Nokia has brought low range models which can fit into the pockets of rural customers. Further the company is promoting a subscription – based service called 'Life Tools' which will provide useful information on agriculture, education and health facilities to rural people. The price for this service is also kept at very nominal rate. Nokia's penetrating strategies also include installment payment facility made available to the rural poor, which is a combined effort of the company and a popular microfinance institution SKS.

One of the oldest brands in the country, Dabur India Ltd. has started to make their presence in rural India in association with Indian Oil Corporation (IOC). IOCs retail outlets all over the country will sell Dabur's products comprising healthcare, skin care and home care products. Godrej Agrovet and Gulmohar Foods constitute the rural retail wing of Godrej Group which entered the agri-business almost 30 years ago. The company's rural marketing initiatives are done through two projects called 'Addhaar' and 'Manthan'. Through 'Addhaar', Godrej offers its own products as well as other brands along with various additional services like soil testing and veterinary care. Through Manthan, the company concentrates on quality animal feed.

Automobile giant Maruti Suzuki has introduced various innovative schemes like "Wheels of India", Ghar ghar mein Maruti: Mera sapna meri Maruti"(In every home there is Maruti: My dream, my Maruti) All these schemes mentioned above have helped them in moving into rural economy in a stronger way. The scheme "Wheels of India" was targeted for India's Government employees and helped the company in selling more than 5000 automobiles. A considerable portion of it was among rural population. Hindustan Unilever's project Shakti, ITC's e-choupal ,Amaron batteries' "Amaragaon campaign" were all successfully launched in the Indian rural market and helped these companies in penetrating among rural mass within a short span of time.

The objective of rural marketing in the current scenario is all about improving the quality of life of rural population by satisfying the needs and wants through innovative products. The success always depends on presenting comprehensive and

integrated solutions which might need a set of inter-related products or services.

Effective Rural Marketing Strategies

Marketers always like to keep a finger on the pulse of the rural markets in India. This is because of the fact that 57 percent of sales of consumer goods and 59 percent of durables sales come from rural markets and small towns. The Indian rural consumer lives in over 600,000 villages across the country and for several product categories, rural markets account for over 60 percent of the national demand. While the rural consumers are generally seen as less affluent than their urban cousins, things are changing in rural India over the last ten years. During 1998-99 over 83 percent of rural households fell in the lower and lower middle classes, the number has fallen to 70 percent by 2006-07.The comparative fall for urban India is from 53% to 27% [National Council for Applied Economic Research (NCAER).And as per expert's opinion, the number is set to fall at a rapid rate over the next 20 years.

While urban India was in the midst of a slowdown, with the meltdown in the US economy as a result of the sub-prime crisis, rural markets were ticking along well. All these facts put together explains the reason for inviting more and more players in to the battle field.

Although the rural market does offer a vast untapped potential, it should also be recognized that it is not easy to operate in these rural market. The major challenges include:

- Ensuring the availability of product or services at the right time and in the right place at adequate level. To tap these unexplored country markets, one of the leading MNCs-LG-has set up more than 45 area offices and over 60 rural/remote offices
- Affordability is the second challenge before companies entering the rural market. With low disposable income, products should be affordable to rural consumers. Many players like Godrej have addressed this issue by introducing small unit packs.
- Creating awareness is yet another challenge with large parts of rural India inaccessible to conventional advertising media. The key dilemma for MNCs eager to enter the rural market is whether they can do so without hurting the company's current profit margin
- The fourth and most difficult challenge put forth by rural economy in India is the acceptability of a product or service.

In spite of all these challenges more and more players are attracted towards this evergreen sector. Each one of them is introducing new and new strategies to increase their market share. Strategic choice is usually influenced by the competitive situation. Some of the strategic options that can help in targeting the rural population effectively are as follows:

1. For identifying the needs of the rural consumers a proper match between the aspirations of target consumers and the value offered by the marketers must exist.
2. Providing quality products at affordable prices should be made possible by incorporating the appropriate marketing mix strategies with the company objectives.
3. Understanding the threats posed by substitute products and taking the necessary measures including various educational and promotional activities .e.g. freely available ash poses severe challenges for vessel cleaning brands like Vim and Prill in rural areas.
4. Delivering superior value product at a price point that satisfies rural customer is the pulse of getting accepted in the rural market. A balanced equation of price, quality and image is what is expected by the rural population. If this is not possible companies will have go for backward integration to achieve the economies to ensure success in rural market. Understanding this concept, Britannia came with the tag line "Eat Health, Think Better". This helped the company in establishing the image of a healthy food for a health conscious consumer.
5. Packaging is defining new paradigms in rural marketing. Introduction of sachets by Velvette shampoo paved the way for developing market for shampoos in rural area. The size of the pack should be in such a way that it should help the rural consumer pick the product at a price he can afford.
6. The branding strategy has to be geared to the rural market in terms of price, packaging and communication and delivered to target audience in the language they can understand . Idiom specific communications have proved to be more effective in achieving the desired results.

7. Logos and Symbols protect the product from fake or counterfeit version of the brand. If the logo or symbol is registered in the mind of rural consumers it will be easy to protect him from fake ones. Tortoise mosquito coils is a brand which was able to succeed with its brand name and logo and it was well received by rural population.

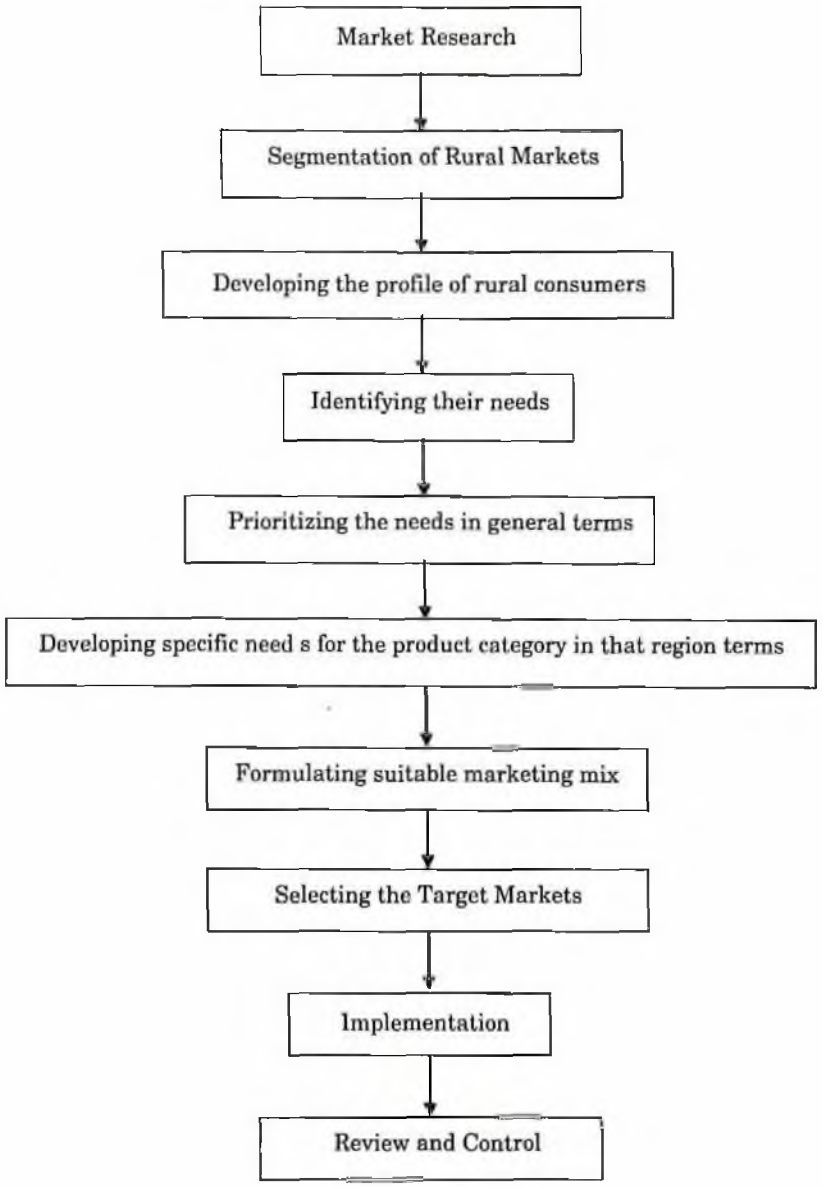
8. Tricky, gimmicky or even suggestive advertising does not work with rural population. The basic principle for communicating to rural population is that it has to be like an educational message. Interactive and entertaining formats have brought better results.

9. Unconventional media is also needed along with traditional media options to ensure sufficient reachability to rural poor. Mandis (agricultural market) melas (exhibitions) are some of the popular unconventional mass media options.

10. Marketer has to be very innovative in promoting a product in rural market, taking into consideration the specific characteristics of people living there. e.g. 'Home to Home' contact program launched by Hindustan Unilever for it fairness cream 'Fair & Lovely' was a grand success in Indian rural market. The program was supported by audiovisual shows, product demonstration and retail sales at those villages.

Rural Marketing Model

Figure 1: Rural Marketing Model



Rural India-A Promising Market Place

Liberalization of Indian economy at the beginning of 1990s had far reaching impact, extending to the 21st century. In the initial years, the entire marketing efforts concentrated on well developed urban markets. But large number of brands, and cut throat competition led to excess supply in urban market resulting in saturation in the sector. This situation made the sector less attractive in recent years. Slowly all eyes are turning towards world's most promising potential market with more than 700 million rural consumers i.e. rural sector.

Table 1: Comparative sizes of Rural and Urban markets

	Urban	Rural
Population 2001-02(million households)	53	135
Population 2009-10(million households	69	153
Market(Number of towns and Villages)	3768	627000

Source: Statistical Outline of India, NCAER

Some of the impressive facts about rural India are:

- Rural India constitutes about 70 percent of India's total population
- It contributes to one third of India's total savings.
- Rising rural prosperity
- The Fast Moving Consumer Goods (FMCG) industry in India was worth around *US$ 16.03* billion in August 2008 and the rural market accounted for a robust 57 percent share of the total FMCG market in India.
- For the automobile industry, semi-urban and rural markets contribute close to 40 percent of sales, dominated by demand for two-wheelers, entry-level cars and tractors.
- By 2012, rural users will account for over 60 percent of the total telecom subscriber base in India.
- According to a recent McKinsey report, the rural and tier-II Pharmaceutical market will account for almost half of the growth by 2015.

Conclusion

Rural marketing in India has a long way to go and rural marketers have to understand the fact that rural marketing in India has a tremendous potential. The key challenge that companies face in rural markets relates to developing appropriate products for different markets with accurate pricing strategy along with adequate promotional measures, without hurting company's profitability. The rural customer responds positively only when products are made available at the right time and place at affordable price. "You must have a mind share before you can have market share" (These words of Christopher M. Knight seem to suggest the added mantra for a successful brand building in Indian rural market.)

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