Rural Marketing : The New Paradigm

"Rural Marketing Is Real Marketing"

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INTRODUCTION

With more than 700 million people living in rural areas in some 5, 80,000 villages, and with about two—thirds of its workforce engaged in agriculture and allied activities with a contribution of 29 percent to India's Gross Domestic Product (GDP), India's economy is predominantly rural in character. Increase in competition, saturated urban markets, new product demanding urban customers have made the companies think about new potential rural markets. Thus, Indian rural markets have caught the attention of many companies, advertisers and multinational companies. According to a recent survey conducted by the National Council for Applied Economic Research (NCAER), the purchasing power of the rural people has increased due to increase in productivity and better price commanded by the agricultural products. In economics, this rural market is termed as the bottom of the pyramid and it is the largest, but poorest socio-economic group. By and large, the rise in purchasing power of rural people remains unexploited and with the growing reach of the television, it is now quite easy for the marketers to capture these markets. Rural marketing has become the latest mantra of most of the corporates.Companies like Hindustan Lever, Colgate Palmolive, Britannia and even Multinational Companies (MNCs) like Pepsi, Coca Cola, L.G., Philips, and Cavin Kare are all eyeing rural markets to capture the large Indian rural market. The article attempts to provide insights into the Indian Bottom of the Pyramid market segment and the potential it could offer to a multinational company to expand its market and build a global base here. The Indian economy is growing at an annual rate of 8 percent. This growth is considerable when compared to the growth of European countries, which is less than 2 percent on a 10-year average, and the growth of the American economy, which is approximately 3 percent. Moreover, there has been significant reduction in poverty levels and increase in quality consciousness among the Indian rural and urban consumers who were 'under-served' in the past 10 years. This changing scenario in the Indian economy could translate into an investment opportunity for many multinational companies. The NCAER analysis shows an increase of over 150 percent in the number of consumer class households in the last 10 years. This emergence of the BOP segment could be defined as a new consumer market. The BOP market in India comprises of a population of 750 million (70 percent of the population) living in 600,000 villages. (rural areas)

RURAL MARKETING: A JOURNEY FROM THE UNKNOWN TO THE WELL KNOWN

India is a land of diversity and about 70% of the Indian population lives in villages. These villages contribute to the economic development of the nation through the production of food grains, vegetables, etc. Export of these agricultural commodities results in the generation of capital and earnings of foreign exchange. There are 600,000 villages in India. 25% of all villages account for 65% of the total rural population. So, companies can contact 65% or 700 million population by simply contacting 150000 villages – which shows the huge potential of this market. Indian rural market has a vast size and demand base. Before going into more aspects on rural marketing, the Census defines Rural India as all places that are not urban! An urban market is the one which has a population density of 400 people per sq/km. 7% of its population has to be involved in non-agricultural activities and there is a municipal body. If we go by statistics, roughly around 70% of the Indian population lives in the rural areas. That's almost 12% of the world population. To tap this market, more and more MNCs and Indian companies are foraying into India's rural markets. Among those that have made some headway are Hindustan Lever Ltd., Coca-Cola, LG Electronics, Britannia, Standard Life, Philips, Colgate Palmolive and the foreign-invested telecom companies. Also, the rural market is getting importance because of the saturation of the urban market. Due to the competition in the urban market, the market is more or highly saturated as most of the capacity of the purchasers has been targeted by the marketers. So, the marketers are looking for extending their product categories to an unexplored market i.e. the rural market. This has also led to the CSR activities being done by the corporates to help the poor people attain some wealth to spend on their product categories. Rural marketing involves the process of developing, pricing, promoting, distributing rural specific products and a service leading to exchange between rural and urban market which satisfies consumer demand and also achieves organizational objectives.

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FEATURES OF THE INDIAN RURAL MARKET

Dynamics of the rural markets differ from other market types, and similarly, rural marketing strategies are also significantly different from the marketing strategies aimed at the urban or industrial consumer. These factors, along with other related issues, have been the subject matter of intense discussions and debate in countries like India and China and focus of even international symposia. There is a consensus on many areas in these forums. Some of accepted features of Indian rural markets as a consensus are as follows:

- **Large, Diverse and Scattered Market**: Rural market in India is large, and scattered into a number of regions. There may be less number of shops available to market products.
- **Major Income of Rural Consumers is From Agriculture** : Rural Prosperity is tied to agriculture prosperity. In the event of a crop failure, the income of the rural masses is directly affected. (which could be sometimes fatal also)
- **Standard of Living and Rising Disposable Income of the Rural Customers**: It is known that majority of the rural population lives below the poverty line and has low literacy rate, low per capital income, societal backwardness, low savings, etc. But the new tax structure, good monsoon, government regulation on pricing has created disposable incomes. Today's rural customer spends money to get value and is aware of the happenings around him.
- **Traditional Outlook**: Villages develop slowly and have a traditional outlook. Change is a continuous process but most rural people accept change gradually. This is gradually changing due to literacy, especially in the youth who have begun to change the outlook in the villages.
- **Rising Literacy Levels**: It is documented that approximately 45% of rural Indians are literate. Hence, awareness has increased and the farmers are well-informed about the world around them. They are also educating themselves on the new technology around them and are aspiring for a better lifestyle.
- **Diverse Socio-Economic Background**: Due to dispersion of geographical areas and uneven land fertility, rural people have disparate socio-economic background, which ultimately affects the rural market.
- **Infrastructure Facilities**: The infrastructure facilities like cemented roads, warehouses, communication system, media and financial facilities are inadequate in rural areas. Hence, physical distribution is a challenge to marketers who have found innovative ways to market their products. In this matter, help from the government is highly appreciated.

Table 1 : Demographic Classification of Urban and Rural India

	No. Of Households (Million)		
DEMOGRAPHIC CLASSIFICATION	URBAN	RURAL	TOTAL
Extremely wealthy (Greater than 10 L per annum	4.84	1.32	6.16
Well off (Greater Than 5L per annum	26.45	27.36	58.81
TOTAL	34.29	28.68	62.97
% of Total	54%	46%	100%

Source: Ministry of Communication and Information Technology.

NOTE: There is hardly any gap between Rural and Urban India.

As part of planned economic development, the government is making continuous efforts towards rural development. In this age of liberalization, privatization and globalization, the rural market offers a big attraction to the marketers to explore markets that are untapped.

BOTTOM OF THE PYRAMID: THE NEW POACHING GROUND

Coming to the frame work of Rural Marketing, Rural Marketing broadly involves reaching the rural customer, understanding their needs and wants, supply of goods and services to meet their requirements, carrying out after sales services that leads to customer satisfaction and repeat purchase. Perhaps the company most often cited in the BOP literature is Hindustan Unilever Limited (HUL), the Indian subsidiary of Unilever, and is a pioneer among MNCs exploring markets at the bottom of the pyramid. HUL is a successful example of how large corporations can profitably tap BOP markets for products including candy, salt, and detergent. It is interesting to consider the real fate of this BOP initiative.HUL was the first to focus on iodine's health benefits in its marketing. But national salt brands, including Annapurna, are beyond the reach of most poor consumers. In fact, most of the poor have been buying more affordable iodized salt brands produced by local companies. National brands like Annapurna cost about Rs 7-8 (17.5-20 cents) per kilogram compared to the Rs2-3 (5-7.5 cents) for local brands. In 2002, national brands had a 45 percent share of the overall iodized branded salt market while local brands held the remaining 55 percent share (*The Hindu Business Line,* 2002). Also, Tata Salt, not Annapurna, is the leader in the national branded salt market in India. HUL's also launched an innovative Project Shakti, a sales and distribution initiative that started in 2000 to increase product penetration into rural markets. According to the company, this initiative aims "to empower underprivileged rural women by providing income-generating opportunities." As part of this project, the company selects a woman as a Shakti entrepreneur from a self-help group (SHG) set up by an NGO or a government body. The company's rural distributor supplies the stocks to this woman, who in turn sells the products to consumers as well as to retail outlets in the village. The name symbolizes the role envisioned for the women in the new venture. Project Shakti may have helped reduce poverty somewhat, as it typically generates employment for one woman in a village of under 2,000 people. But on the contrary, most of HUL's BOP initiatives were not proactive and intentional, but were reactionary moves in response to competitive pressure. For instance, HUL was forced to enter the low-cost detergent market. In the middle of 1980s, Nirma started selling a low-cost detergent to rural and low-income urban customers. Its price was one fifth of that of HUL's competing brand. Nirma rapidly captured a market that HUL had overlooked. It became the largest selling detergent brand and a household name in India. After five years, HUL recognized that it was vulnerable, and launched its own low-priced detergent brand, Wheel, as part of project STING (Strategy to Inhibit Nirma Growth) (Ahmad and Mead, 2004). As the very name of the project indicates, HUL entered the BOP market with the objective of arresting Nirma's growth.

RURAL VS URBAN CONSUMERS – CHALLENGES

The biggest mistake any company can make while entering Rural India is to treat it as an extension of the existing urban market. But there is a vast difference in the lifestyles of the rural and urban consumers. The rural Indian consumer is economically, socially, and psychographically different from his urban counterpart. The kind of choices that an urban customer takes for granted is different from the choices available to the rural counterparts. The difference in consumer behavior in essence stems from the way of thinking with the fairly simple thought process of the rural consumer in contrast to a much more complex urban counterpart. On top of this, there has hardly been any research into the consumer behavior of the rural areas, whereas there is considerable amount of data on the urban consumers regarding things like - who is the influencer, who is the buyer, how do they go and buy, how much money do they spend on their purchases, etc. On the rural front, the efforts have started only recently and will take time to come out with substantial results. So, the primary challenge is to understand the buyer and his behavior. Even greater challenge lies in terms of the vast differences in the rural areas, which severely limits the marketer's ability to segment, target and position his offerings. The population is dispersed to such an extent that 90% of the rural population is concentrated in villages with a population of less than 2000. So, the geographical spread is not as homogeneous as it is with the urban areas owing to vast differences in culture and education levels. Also, with agriculture being the main business of rural sector, the purchasing power of rural consumers is highly unpredictable which can lead to high variations in demand patterns. One more gray area that needs to be probed into is the importance of retailer in rural trade. Rural consumer's brand choices are greatly restricted and this is where the retailer comes into the picture. The rural customer generally goes to the same retailer to buy goods. Naturally, there's a very strong bonding in terms of trust between the two. Also, with the low education levels of rural sector, the rural buying behavior is such that the consumer doesn't ask for the things explicitly by brand name and asks for brands as "laal wala sabun Dena"(give me the red colored soap) or "paanch rupey waali chai Dena" (give me the Rs. 5 tea). Now, in such a scenario, the brand becomes subservient to the retailer and he pushes those brands that fetch him the greatest returns. Thus, as there is a need to understand the rural consumer, similarly, there is a need to study the retailer as he is a chief influencer in the buying decision. The rural market in India is quite fascinating and challenging in spite of all the existing difficulties. The potential is enormous. Even though these markets have weaknesses, they also have tremendous opportunities which should be availed by the marketers.

SOLUTIONS TO THE PROBLEMS OF RURAL MARKETS

To solve the problems of rural markets in India, the following suggestions can be used by marketers:

1. Regarding the problems of physical distribution, the marketer may have a joint network of stockiest/ clearing-cum-forwarding (C&F) agents at strategic location for facilitation of physical distribution for its products in the rural market. The main advantage of this scheme is that the costs of physical distribution can be shared by the companies and stockiest. The combination of different modes of transport based on availability of tracks will be beneficial to the companies. Some of the leading companies use delivery vans in rural areas for resolving the distribution problems in rural markets. The delivery van takes the products to the retail shops in every corner of

the rural market and it enables the company to establish direct sales contact with majority of the rural consumers which helps in sales promotion.

2. The rural market is composed of a number of retail sales outlets along with fair price shops under the public distribution system. It is suggested that the government should encourage private shopkeepers and cooperative stores to come forward and establish their business in rural areas instead of the weekly market known as weekly bazaar. Fertilizer companies have opened their outlets for proper distribution of fertilizers among the farmers. Similarly, the companies dealing in consumer goods can apply this model. This system has the benefit of penetrating into the interior areas of the rural markets.

3. To solve the problems of sales force management, it is suggested that the company takes due care in the recruitment and selection of sales people because the traits they require are different from urban and suburban sales persons. For the rural markets, only those sales people should be preferred for selection who are willing to work in rural areas. They must be aware of the local language and must have the patience to deal with rural customers and can discharge the duties of a bare-footed salesman. Administration of such a large and scattered sales force, supervising and supporting them in sales calls, guiding them, attending to their official and personal problems, and motivating them for better results should be an exacting task for the sales manager.

4. With reference to marketing communication in rural areas, the company should use organized media-mix like TV, Radio, and cinema and POP (point of purchase) advertising. Since the rural people need demonstration, short-feature films with disguised advertisement messages, direct advertisement films and documentaries that combine knowledge and advertisements will perform better rural marketing communication. Here, the companies may also use audio-visual publicity vans, which may sell the products with promotion campaign. To attract the rural consumers, companies can organize village fairs, dance and drama shows, group meetings to convince the rural consumers about the products and services. In most Indian villages, there are some opinion leaders. They can be approached by the marketers to propagate their messages; these persons can prove to be effective communicators within the rural masses.

THE ROAD MAP - 4 A's

Many daring MNCs and Indian companies are marching ahead by meeting the consequent challenges of availability, affordability, acceptability and awareness which is also commonly called as (4A's).

● AVAILABILITY

The first challenge is to ensure availability of the product or service. India's 627,000 villages are spread over 3.2 million sq km; 700 million Indians may live in rural areas, finding them is not easy. Over the years, India's largest MNC, Hindustan Lever, a subsidiary of Unilever has built a strong distribution system which helps its brands reach the interiors of the rural market. To service remote villages, stockiests use auto rickshaws, bullock-carts and even boats in the backwaters of Kerala. LG Electronics defines all cities and towns other than the seven metros cities as rural and semi-urban market. To tap these unexplored country markets, LG has set up 45 area offices and 59 rural/remote area offices.

● AFFORDABILITY

The second challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer, most of who live on daily wages. Some companies have addressed the affordability problem by introducing small unit packs. Godrej recently introduced three brands of Cinthol, Fair Glow and Godrej in 50-gm packs, priced at Rs 4-5 meant specifically for Madhya Pradesh, Bihar and Uttar Pradesh - the so-called `Bimaru' States. Hindustan Lever, among the first MNCs to realize the potential of India's rural market has launched a variant of its largest selling soap brand, Lifebuoy at Rs 2 for 50 gm. The move is mainly targeted at the rural market. Coca-Cola has addressed the affordability issue by introducing the returnable 200-ml glass bottle priced at Rs 5. The initiative has paid off: Eighty per cent of new drinkers now come from the rural markets. Coca-Cola has also introduced Sunfill, a powdered soft-drink concentrate. The instant and ready-to-mix Sunfill is available in a single-serve sachet of 25 gm priced at Rs 2 and multiservice sachet of 200 gm priced at Rs 15.

● ACCEPTABILITY

The third challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market. One company which has reaped rich dividends by doing so is LG Electronics. In1998, it developed a customized TV for the rural market and christened it Sampoorna. It was a runway hit selling 100,000 sets in the very first year. Because of the lack of electricity and refrigerators in the rural areas, Coca-Cola provides low-cost ice boxes — a tin box for new outlets and thermo cool box for seasonal outlets. The key dilemma for MNCs eager to tap the large and fast-growing rural market is whether they can do so without hurting the company's profit margins. Mr. Carlo Donati, Chairman and Managing-Director, Nestle, admits that his company's product portfolio is essentially designed for urban consumers. According to industry sources, the overall shampoo market, which sees annual volume sales of approximately 63,000 tones saw rural off take grow by 40 per cent last year, while urban demand grew half of that at 21 per cent. Industry players say that the fierce price cuts and volume rejigs have been good for the shampoo industry, a product which has an all-India penetration of only 46 per cent.

AWARENESS

Awareness Strategy lays down the broad principles by which a company hopes to secure an advantage over competitors, exhibit attractiveness to buyers, and lead to full exploitation of company resources. When marketers resort to promotion or persuasive communication marketing, we suggest a kind of the promotion square. It has four sides of equal importance, viz.:

1. The product described in the marketing communication.
2. The prospect to be converted into a customer through persuasion and influence by promotion.
3. The seller or the sponsor who undertakes promotion, and
4. The channel or the route along which the product will move from a marketer to buyer. The promotion strategy will depend upon these four sides.

CONCLUDING REMARKS

In the end, it is certain that companies will have to really gain inroads in the rural markets in order to achieve double digit growth targets in future. There is huge potential and definitely, there is a lot of money in rural India but the smart thing would be to weigh in the roadblocks as carefully as possible. The companies entering rural market must do so for strategic reasons and not for tactical gains as the rural consumer is still a closed book and it is only through unwavering commitment that the companies can make a dent in the market. Ultimately, the winner would be the one with the required resources like time and money and also with the much needed innovative ideas to tap the rural markets. A wide array of problems hinders marketers in approaching rural areas.The problems are lack of fair weather roads, widely dispersed villages, low density of population, lack of bank and credit facilities, multiple tiers, higher costs and administrative problems, and lack of retailers are the problems in rural distribution.

In a nutshell, senior managers who commit their companies to strategies for the bottom of the pyramid are creating sustainable development. The BOP market is a huge opportunity waiting to be tapped. The challenge is to identify and accept the uniqueness of these markets and develop strategies to suit their needs by effective Market Research, keeping in mind the concept of STP. Understanding these local markets and developing local insights is the need of the hour for succeeding in these markets. These consumers should be pushed higher up the value chain by a process of co-creation which would benefit both the company as well as the BOP community. One ultimately comes to the conclusion, "Creating innovation and out of the box thinking is the need of the hour.

"Improving the lives of the billions of people at the bottom of the economic pyramid is a noble endeavor. It can also be a lucrative one."

C.K. Prahalad

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