

MARKETING IN RURAL INDIA: THE INNOVATIVE SELLING MANTRA

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INTRODUCTION

Rural market is the key to survival in India. Most consumer markets are getting cluttered, thereby slowing down the growth rates of consumer products. While overall volumes continue to grow reasonably well, there are too many players eating into each other's market share. Reducing prices and investing heavily in sales promotion becomes inevitable in the urban markets. Consequently, operating margins come under pressure and new growth markets need to be explored. It is here that the rural markets provide an opportunity, a ray of hope for a marketer.

Some Interesting Facts about the Rural Markets

Rural market comprises 74% of the country's population, 41% of its middle class, 58% of its disposable income and a large consuming class. Around 700 million people, or 70% of India's population, live in 6, 27,000 villages in rural areas. 90% of the rural population is concentrated in villages with a population of less than 2000. For manufacturers of consumer goods, these markets are certainly hot cakes.

More than 50 per cent of policies are sold in rural India, more than 50 per cent BSNL and STD connections are sold in the rural areas. Also, Kissan credit cards was a huge success as Rs 977 billion has been loaned against this card. Moreover, 60 per cent signups on Rediff.com are from the small towns

The Indian rural market today accounts for only about Rs 8 billion (53 per cent - FMCG sector, 59 per cent durables sale, 100 per cent agricultural products) of the total ad pie of Rs 120 billion, thus claiming 6.6 per cent of the total share. So clearly there seems to be a long Indian economy is peculiar to the extent that it has a lot more rural orientation than most economies of the world. Majority of the countries in the world are dependent on their industrial centers and rapidly growing cities for maintaining their growth rate. In India, though industries and the services sectors are centered around the industrial and urban areas, yet over 60 per cent of the work force is directly or indirectly dependent on the primary sector. This sector contributes about one fourth of the total GDP and offers tremendous potential for growth in the near future. Being a low income segment, this also does not get influenced easily by extraordinary economic situations.

As per the views of the Rural Marketing Association of India, there has been no impact of economic slowdown on the rural economy of India. A nation-wide study carried out in the

rural markets of the country found out that the rural markets in the country actually offer an opportunity to the marketers to come out of current economic crisis.

Main reasons for such immunity are stated to be higher percentage of total expenditure on food items and the fact that majority of the population is involved in self-employment occupations, having no fear of loss of jobs. The telecom sector has witnessed a rapid growth in the villages and small towns. The total telecom subscriber base for India grew from 70.83 million in the first quarter of 2008 to 90.98 million in the second quarter. Out of this growth 71 per cent rise in this sector came from the rural India, while the urban areas accounted for the remaining 29 per cent growth.

The study also brings out that more than 72 million Kisan Credit Cards are in use in the rural areas of the country, which number almost matches the number of Credit Cards under use in the urban areas. During 2008, larger part of growth of Fast Moving Consumer Goods (FMCG) came from rural and sub-urban markets.

Majority of the people in the rural areas do not invest in stock markets and park their savings in low risk portfolios like post office/bank savings or fixed deposits. The government of India was quick to realize this and immediately after the recession began to show its impact began to direct its economic policies towards the rural sector. Fortunately for the country, at the critical juncture when the great recession knocked at the doors of Indian economy, several government sponsored programmes involving huge public expenditure in the rural areas were already being implemented.

The Interim Budget for the year 2009-10, presented by Mr. Pranab Mukherjee on February 16, 2009, also had its focus on the rural economy. Under the NREGS during the year 2008-09, about 3.51 crore rural households were benefited, generating 138.76 crore man days. For the year 2009-10, a massive allocation of Rs 30,100 crore has been made for the said scheme. In other words, this huge sum would be distributed as wages to the rural households during the said year.

Another gigantic rural development programme is *Bharat Nirman*, which aims at huge public expenditure in the rural infrastructure. It has six components, including rural roads, rural telecommunication, irrigation, drinking water supply, rural housing and rural electrification. As per the Finance Minister, the allocation to this programme was increased by 261 per cent during the period between 2005-09. A provision of Rs 40,900 crore has been kept in the interim budget, 2009 for this programme.

In addition to stiff doses of funds proposed through the above two flagship programmes, the Finance Minister also made significant allocations to various other programmes and schemes having rural focus. A sum of Rs 13,100 crore has been allocated for Sarv Siksha Abhiyan, most of which is to be spent in the rural areas. Mid-day meal programme, which is also termed as the largest school feeding programme of the world, has been allocated a sum of Rs 8,000 crore. To further supplement the efforts of nutrition to the rural students, another provision of Rs 6,705 crore has been made under the Integrated Child Development Scheme (ICDS), under which the pre-school children and the lactating mothers are provided nutrition and healthcare under *Anganwaris*.

Another important scheme with rural focus is Rajiv Gandhi Rural Drinking Water Mission, which aims at providing drinking water supply to the villages not covered by tap water

supply. A sum of Rs 7,400 crore has been provided for this scheme for the financial year 2009-10. Rural sanitation is also an ongoing programme for which Rs 1,200 crore provisions have been kept. NRHM, which is a healthcare programme for the rural areas, has been provided with a hefty provision of Rs 12,070 crore.

It is apparent from the above that the direction of the Interim Budget 2009-10 has been towards the rural areas.

Whether it is the growth of FMCG or consumer durables, or the telecommunication growth, rural areas of the country hold the key for future development. Enormous amounts of funds being pumped into the rural economy by the government would greatly supplement the natural growth of these areas. The trickledown effect, though delayed, has begun to actually show. If the trend continues, the so-called 'digital divide' may start experiencing imminent and rapid bridging.

Rural markets in the country have arrived in a big way. The hereto ignored rural areas have now revealed their true potential. The policy makers have realized that as soon as the cities and the industrial centres start becoming saturated with growth potential, it is the rural market of the country which holds the key for future. Even at the pre-sent times of crisis, it is the rural economy and its hidden capabilities that may ultimately bail the economy out. It is for sure that the rural emphasis in the India's economic policy is going to stay for quite some time in future.

The rural areas had remained, by and large, neglected after independence. But now, with improved focus on rural wage employment, rural infrastructure, rural healthcare, telecommunications, irrigation, rural housing, drinking water supply, nutrition and rural electrification in a big way by the government, the purchasing power of the people in these areas is on the rise and, if the current trends continue, the day is not far when the history of rapid growth of the economy for the next two decades would be scripted by the smart growth of rural economy in the country.

Rural Trends in India

Tends indicates that the rural the rural markets are coming up in a way and growing twice as fast as the urban, witnessing a rise in sales of hitherto typical urban kitchen gadgets such as refrigerators, mixer-grinders and pressure cookers. According to a 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 'low middle income' households in rural areas as in the urban areas. At the highest income level there are 2.3 million urban households as against 1.6 million households in rural areas. According to Mr.D.Shiva Kumar, Business Head (Hair), personal products division, Hindustan Lever Limited, the money available to spend on FMCG (Fast Moving Consumer Goods) products by urban India is Rs.49,500 crores as against is Rs.63,500 crores in rural India.

As per NCAER projections, the number of middle and high-income households in rural India is expected to grow from 80 million to 111 million by 2007. In Urban India, the same is expected to grow from 46 million to 59 million. Thus, the absolute size of rural India is expected to be double that of urban India. Rural income levels are largely determined by the vagaries of monsoon and, hence, the demand there is not an easy horse to ride on. Apart

from increasing the geographical width of their product distribution, the focus of corporate should be on the introduction of brands and develop strategies specific to rural consumers. Britannia industries launched Tiger Biscuits especially for the rural market. An important tool to reach out to the rural audience is through effective communication. A rural consumer is brand loyal and understands symbols better. This also makes it easy to sell look-alike. The rural audience has matured enough to understand the communication developed for the urban markets, especially with reference to FMCG products. Television has been a major effective communication system for rural mass and, as a result, companies should identify themselves with their advertisements. Advertisements touching the emotions of the rural folks, it is argued, could drive a quantum jump in sales.

Some Myths about the Rural Customer

Several myths abound the rural customer such as

- Rural people are not interested in branded goods
- Rural market is a homogenous mass.
- Individuals decide about purchases

The fact remains that

- Rural people account for 80 per cent of sales for FMCGs;
- They seek value for money
- Rural market is fascinatingly heterogeneous and
- Decision-making is a collective process comprising the influencer, decider, buyer /consumer. So a communication needs to address several levels in order to make a difference.

Rural Kid – An Important Influencer

In rural India, it is the age group between 8 and 15 that influence most purchases - more than any other group. They have a better retention of messages and often play back these messages to others too, despite the fact that the product is not targeted towards them.

Also, another typical rural phenomenon is that kids are sent by their mothers to purchase something without specifying a brand. So kids tend to ask for products they have seen or heard on radio or TV. So to a large extent, kids are driving this change as much as youth.

Strategies for Going Rural

A successful penetration into the hearts and wallets of the rural customer depends on the following 4 as

- Availability (of the offering)
- Affordability (of the offering)
- Acceptability (of the proposition)
- Awareness (of the brand)

Availability

Developing a relationship with the retailer

The greatest challenge for the rural marketer was reaching out to the remotest rural destinations and increasing rural incomes. Data on rural consumer buying behavior indicates that the rural retailer influences 35% of purchase occasions. Therefore, sheer product availability can determine brand choice, volumes and market share.

Being first on the shelf and developing a privileged relationship with the retailer is a source of competitive advantage to consumer by good companies. In order to efficiently and cost-effectively target the rural markets, the companies will have to cover many independent retailers since in these areas, the retailer influences purchase decisions and stock a single brand in a product category. Going to the retailers directly rather than depending on the wholesalers for distribution in the rural market as that had not proved to be very effective and proactive marketing medium.

Affordability

Re-engineering costs and creating new price points

Rural customer is a combination of rural sensitivities and urban aspirations. It wants to try out products, which were earlier considered to be the prerogative of the urban populace. But, price proved to be a major constraint. This necessitated creating new price points in order to reach out to rural consumers since a significant portion of the rural population are daily wageworker. Many companies have achieved this by tinkering with the pack sizes. Sachets and miniature packs, as in the case of shampoo sachets priced at Re 1 and Rs 2 or toothpaste at Rs 10, have become the order of the day in hinterland India and help improve market penetration. Coca Cola brought down the average price of its products from Rs 10 to Rs 5, thereby bridging the gap between soft drinks and other local options like tea, butter milk or lemon water

Product innovation

Driving rural consumption is much more than lowering prices and increasing volumes. It entails product innovation and developing indigenous products to cater to rural demands.

For example, soap makers use advanced technology to coat one side of the soap bar with plastic to prevent it from wearing out quickly.

BPCL introduced a smaller sized cylinder to reduce the initial deposit cost and consequent refilling cost.

Awareness

Innovative methods of advertising

Mass media reaches only 57% of the rural population. Market penetration has lot to do with effective communication at local levels. Generating awareness, then, means utilising targeted, unconventional media including ambient media. Fairs and festivals, haats, offer occasions for brand communication. Cinema vans, shop-fronts, walls and wells are other media vehicles that have been utilised to heighten brand and pack visibility.

A few years ago, many companies congregated at the Ganges river for the Kumbh Mela festival, where about 30 million people, mostly from rural areas, were expected to come over the span of a month.

The companies provided 'touch and feel' demonstrations and distributed free samples. This proved to be extremely effective in advertising to the rural market.

Finding the right mix that will have pan-Indian rural appeal

The motivators for purchase in a rural consumer are different from those in the urban consumer. This implies that a mere translation of the urban ad copy to rural customers is not enough. Rather, it is the same as pushing urban communication to the rural market would surely fail miserably in terms of touching the hearts and minds of the rural customer. Knowledge of the nuances of language, dialects, customs, rituals, festivals, celebrations and traditions of the regions is a must

Yaara da Tashan..." McCann Erickson's ads with Aamir Khan created universal appeal for Coca Cola

Coca-Cola India tapped the rural market in a big way when it introduced bottles priced at Rs 5 and backed it with the Aamir Khan ads.

Overcoming Attitudes and Habits -Seeing Is Believing

It is of utmost importance to overcome attitudes and habits in order to increase consumption and penetration. Only three out of 10 people in rural areas use toothpaste or talcum powder, or shampoo and skin care products. Even in categories with high penetration, such as soaps, consumption is once per five bathing occasions.

Nothing works better than a demonstration of the functional benefits. A glass of water was stored from a bucket of water mixed with wheel. Then dirty clothes from the community were soaked in the bucket for 20-30 minutes and then another glass of water was taken from the bucket to compare it with the previous one. The significant difference could surely make them believe in the power of Wheel Washing Powder for cleaning clothes. A gathering of the village folks in the courtyard where a successful demonstration of the efficiency and efficacy of the products can be organized, would go a long way in changing existing habits and lifestyles and escalating to the ones needed by rural marketers.

Community Participation Based Marketing

It has been time proven that community participation for any rural communication produces fabulous results. It is here that the opinion leaders or influencers like the sarpanch, mukhiya, teacher, doctors could be roped in as brand ambassadors.

Asian Paints painted the house of the sarpanch and others followed the league. The teacher, doctor spread a word on health and hygiene issues, a blessing in disguise for the marketer of Personal Care Products.

Hindustan Lever Limited (HLL)- Well Entrenched In The Rural Market

The Company is a marketing giant dealing with Packaged Mass Consumer goods (PMCGs). The company has traditionally focused on the rural market. Some of its major business

categories like Fabric Wash, Personal Wash and Beverages, already get over 50% of their sales from rural areas.

The lynchpin of HLL's strategy has been to focus on penetrating the market down the line activating the brand in the rural market through different projects like Project Streamline, Project Shakti and Project Bharat.

Project Streamline was conceptualized to exercise and enhance control on the rural supply chain through a network of rural sub-stockiest, who are based in these very villages. The pivot of Streamline is the Rural Distributor (RD), who has 15-20 rural sub-stockiest attached to him. Each of these sub-stockiest is located in a rural market. The sub-stockiest then performs the role of driving distribution in neighbouring villages using unconventional means of transport such as tractor, bullock cart, et al. As part of the project, higher quality servicing, in terms of frequency, credit and full-line availability, are provided to rural trade.

Distribution acquires a further edge with **Project Shakti**, HLL's partnership with Self Help Group of rural women. The SHGs have chosen to adopt distribution of HLL's products as a business venture, armed with training from HLL and support from government agencies concerned and NGOs. A typical Shakti entrepreneur conducts business of around Rs.15000 per month, which gives her an income in excess of Rs.1000 per month on a sustainable basis. As most of these women are from below the poverty line, and live in extremely small villages (less than 2000 population), this earning is very significant, and is almost double of their past household income. This model creates a symbiotic partnership between HLL and its consumers, some of whom will also draw on the company for their livelihood, and helps build a self-sustaining virtuous cycle of growth.

Project Bharat is the first and largest rural home-to-home operation to have ever been mounted by any company. The exercise was initiated by the Personal Products Division in 1998. It successfully addressed issues of awareness, attitudes and habits. In the course of the operation, company vans visited villages across the country and distributed sample packs comprising a low-unit-price pack each of shampoo, talcum powder, toothpaste and skin cream priced at Rs. 15. The distribution was supported by explanation of product usage and a video show, which was interspersed with product communication. Thus we generated awareness of its product categories and the availability of affordable packs. The project saw a 100% increase in penetration, usage and top-of-mind awareness in the districts targeted.

Other Corporates Making Headway In The Hinterland

Amul, Coca Cola India, Eveready Batteries, Philips, Life Insurance Corporation, Britannia, Hero Honda, Cavin Care, BSNL, Philips, Colgate, LG Electronics.

CONCLUSION

Thus looking at the challenges and 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. 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. The rural market is very large in compare to the urban market as well as it is more challenging market. The consumer wants those products

which are long lasting, good, easy to use and cheaper. The income level of rural consumers is not as high as the income level of urban consumers that's why they want low price goods. It is one of the reasons that the sale of sachet is much larger in the rural area in all segments. It is necessary for all the major companies to provide those products which are easy to available and affordable to the consumers. It is right that the profit margin is very low in the FMCG products, but at the same time the market size is much large in the rural area. The companies can reduce their prices by cutting the costs on the packaging because the rural consumers don't need attractive packaging. Rural market has an untapped potential like rain but it is different from the urban market so it requires the different marketing strategies and marketer has to meet the challenges to be successful in rural market.

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