

# RURAL MARKETING- EXPLORING NEW POSSIBILITIES IN THE RURAL INDIA

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## ABSTRACT

*Rural India is going to become a biggest market of the world in the near future and it is transforming like anything. Rural marketing as an emerging trend is about to explore possibilities in the rural India. It is a process to hunt a treasure Iceland, yet to be hunted by the adventurous explorers. It is not simply a marketing to just sell and deliver consumers satisfaction but something else certainly. It is a visit to the 75 crores people residing in the villages of India where they have hope, aspirations, needs and potential. They too have money and will to spend the same, which is more important. Because of change in the rural market environment, its market profile is changing and people are changing themselves. Ultimately, their needs and requirements are also changing. At this point of juncture companies are rushing with their product portfolio to satisfy the needs of rural consumers. The companies are applying several models and strategies to be winner in the rural market. It is also great fallacy that those who have not seen rural India, they are making and shaping rural strategy to win the hearts of rural India.*

**Key Words:** Kisan Credit Cards, Haryali Bazars, Caupal Sagar, e-Chaupals, Tenant farmers, Share Croppers, Shahukars, Haats, Mandies, Melas, NABARD etc.

## INTRODUCTION

The Indian economy has seen consistent overall growth in recent years. The agriculture reforms in the Tenth Plan, easy availability of agriculture credit, facility of Kisan Credit Cards, Rs. 60,000 crores village road program, introduced to connect nearly 1.9 lakh

villages, and improved communication network gave a huge fillip to the rural economy and income, resulting in higher penetration as well as increased consumption rate. The purchasing power of the rural communities has grown significantly has come into focus and is understandably much sought after for its potential.

Rural marketing has become a fad to market products in the rural India for the small, medium and big established companies. But it is beyond that. Rural marketing is a process of developing, pricing, promoting and distributing rural specific goods and services leading to exchanges between urban and rural markets which satisfies consumer demand and also achieve organisational objectives. (Ram Krishna, 2002, pg-10). But very often, rural marketing is confused with agriculture marketing – the latter denotes marketing of produce of the rural areas to the urban consumers or industrial consumers. Where as rural marketing involves delivery of manufactured products or processed inputs or services to rural consumers. The Indian rural market with its vast size and demand base offers great opportunities to companies. Two- third of the Indian population lives in rural areas and almost one third of the national income is generated here. It is only natural that rural markets form a critical part of the total markets in India.

According to the National Council of Applied Economic Research (NCAER), with about 74 percent of its population living in its villages, India has perhaps the largest potential rural market in the world. It has as many as 47,000 haats, compared 35,000 super markets in the US. In addition to this, of the total FMCG's demand in India, nearly 53 percent comes from the rural market. For consumer durables, the figure is 59 percent. Nearly 700 million Indian live in 6,38,365 villages across India. Connectivity of village complexes providing economic opportunities to all segments of people is an urgent need. This is where the fortunes of India's biggest corporations are likely to be saved.

## What Makes Rural Attractive?

It is the spread of population in rural areas that is offering huge potential to relating industry. Six

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out of ten people live in the villages. According to NCAER study, there are almost twice as many "lower middle income" households in rural India 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.
- Middle and high income households in rural India were expected to grow from 111 million by 2007.
- In urban India, the same was expected to grow from 46 million to 59 million.

Recently, rural employment guarantee scheme worked wonders in the rural India. The new government is applauded with the success of NREGA scheme and is likely to earmark Rs. 30,000 crores for the scheme in FY 09. (1). The government ensuring employment to 4.47 crore families and creating 215 crores person-days during the past three years are big achievements for the rural people. (2). The projects worth 27 lakhs, have already been taken up, out of which projects worth 12 lakhs, are completed. (3). These projects have also increased rural income and have become a big factor for the companies to rush for the rural call. NREGA has also injected confidence in the rural people. The opening of bank account is making many rural poor confident. They are saving money now. Also, the life insurance and health insurance products have gained ground among them. (4).

Thus the number of middle and high income households in rural India would be many fold as compared to urban India.

The market increase in the rural income is due to agrarian prosperity. There is large inflow of investment for rural development programs from government and other sources.

There is increasing contact of rural people with their urban counterparts due to development of transport and wide communication network. The literary education levels have increased among rural folks, and as a result there is an inclination to lead sophisticated lives. Changes in land tenure system have also resulted in structural changes in the ownership pattern and consequent changes in the buying behaviour of rural population. (5).

Thus a large population, rising farm incomes and inspiring infrastructure has translated great opportunities with a sizeable rural presence. Some impressive facts about the rural sector are-

- The number of rural super markets (Haats in India),

47000 exceeds the total number of retail chain stores in the US (35000).

- LIC sold 55 percent of its policies in rural India.
- Of the BSNL mobile phone connection 50 percent are in rural.
- 24 million Kisan Credit Cards (KCC) issued in rural areas exceeds the 17.7 million credit cards plus debit cards issued in urban India. A whopping Rs. 52,000 crores has been sanctioned under KCC scheme.
- The number of middle and higher income families (having Rs. 7 lakh plus annual income) in rural (21 million) and urban (24.2 million) is nearly the same.
- Of the million who have signed up for Rediffmail, 60 percent are from small towns. Of the lakhs who transact on Rediff online shopping site, 50 percent are from small towns.
- Mobile banking offers an opportunity for banks to reach out to the rural population and doing business in rural areas has become more viable. The global market for mobile based transactions, still in its infancy in India, is projected to be worth more than \$ 500 billion by 2011. It will foster the expansion of banks' business as well as it will cut various costs. (6)
- An Assocham report on rural consumption says that in three years the per capita income in rural areas will double. Considering that rural households form 72 per cent of the total, the rural market roughly comprises 720 million customers. (7).

### Rural Road- a caselet of Hero Honda

The largest bike maker in the world, Hero Honda, is searching for more roads to trudge on. The Gurgaon based two-wheeler major, has decided to venture into the largest untapped market in Asia – rural India. While FMCG brands have tested fair amount of success in their foray, it will be interesting to see how customers respond to the biker. Disposable income, aspiration and ever green need to show off does look promising for the bike manufacturer. While on the subject, the person heading the venture did admit that Indian auto market is unique in more ways than one. No other market in the world has bikes made especially for women, a distinction that India has. Clearly, there are many more chapters of the India story still to be written. (8).

### Rural Marketing Environment and Segmentation

Rural marketing is basically a focussed marketing activity of an organisation. The environment outlines threats and opportunities of the market. The rural marketing environment is complex and changing continuously. The marketing organisation has to foresee and adopt strategies for the changing requirements of the market. One, which does not change, will perish.

The economic independence matters in the villages and it covers social and political factors, which is very important. In this regard, Kisan Credit Cards issued by National Bank for Rural Development (Nabard) is playing and bringing drastic change in the villages i.e. social up-liftment by economic empowerment. The Kisan Credit Cards scheme of Nabard is becoming an effective tool to fight the existence of sahuks and other informal sources of credit for farmers. During 2008-09, the number of KCC issued by these banks was almost 16,000 and cumulative term loan issued was Rs. 587cr. KCC aims at meeting the entire credit needs of farmers through a whole farm approach. It covers farmers' production, investment and consumption needs. Under KCC scheme, the credit is available at a rate of 7 percent. All farmers, including oral lessees, tenant farmers, and share croppers, can avail credit facilities under KCC. Under the KCC scheme, any number of withdrawals and payments within the sanctioned credit limit are allowed to the borrower. The card is valid for 3/5 years subjects to annual review by the financing bank. KCC also covers personal accident insurance cover up to Rs. 50,000 to cover accidental death / permanent disability. (10).

The value creation and delivery consists of segmentation, targeting, positioning and delivery of satisfaction are the essence of strategic marketing.

Segmentation is the process of defining and breaking a heterogeneous market homogenous sub-markets having different tastes, preferences, finance, capabilities etc. It is a process and to help in the analysing market opportunities. Segments are broadly designed on the basis of geography of the market, includes states, regions, districts, population density, climate etc. Demographics encompass gender, age, income, occupation, religion, education, singles, marital status, family size etc. Psychographics cover the social class, life style and personality and behavioural aspects include occasions, benefits sought, loyalty status, place and product possession.

Sadly, not many companies had invested sufficient money in research or time in the field to understand rural consumers- their values, aspirations, needs, usage habits. Marketing is all about 'knowing

your customers', but companies which have largely not ignored this cardinal principle, have eluded corporate in rural markets. In the past most senior executives would rather set through the periodic marketing workshop in five star hotels than deal with the heat and the dust of the market place. Today, more than ever before, industry associations and corporate boards are looking at setting new agendas that combine wealth creation with deeper rural social change.

### **Understanding rural consumers, distributors and promotions**

Rural customers are fundamentally different from their urban counterparts, and different rural geographies display considerable heterogeneity, calling for rural- specific strategies. Companies that have taken the trouble to understand rural markets have tasted success. As per market research conducted by Arvind Mills- Even the cheapest branded jeans were beyond the reach of rural males, also there was skepticism toward ready made. So, Arvind introduced a ready -to- stitch Ruff and Tuff jeans kit at Rs. 195. Distribution was a critical issue. The product was made available in local retail outlets in a population of up to 5000. Village tailors were trained and provided with additional machine accessories required. In the first two months, demand crossed a million pieces and within 18 months, 5 million kits were sold. Other recent success, such as "Tiger" biscuits from Britannia, "Sampoorna" TV from LG or A1 tea from HLL should convince us that many more treasures await marketers who dare to dream rural.

Rural distribution is considered as nightmare because of 6 lakhs odd villages in the country. Where do consumers buy? Taking durables, 90 percent is purchased from 20,000 plus population towns totally 2300 only. The situation with FMCG's is more complex but not in surmountable. Direct supply to the 20,000-plus population feeder towns should be quite sufficient, as each distributor in turn would have a supply network of 100 plus outlets in 50 odd locations which can cover all villages up to 2000 plus population category. These 85,000 larger villages are home to 40 percent of the rural population but over 60 percent of rural consumption.

In the areas of communication, corporate marketers have perhaps failed to recognise that a rural consumer may be buying a particular brand or even the product category itself for the first time. With hardly any key influence within the village and few sources of information, the rural consumer feels inhibited and ill equipped to buy confidently. Hence, there is a strong



need to build reassurance and trust about product quality service support and company credentials in the mind of rural consumers. This is best done through the face –to –face and touch, feel and talk mode at haats, melas and mandies.

Rural people have evolved these systems of selling and communicating that have served them well for centuries. Corporate marketers have now started using these platforms effectively. Take haat, there are 47000 of them that mushroom week after week, each catering to the daily needs of 10 to 20 villages. Haats serving as sales outlets will serve as both sales outlets and redistribution points as village shopkeepers also frequently visit them after replenishing their stocks.

Similarly, from the list of 25000 melas in India, mostly religious, 1000s are larger and more commercial in nature frequented by hundreds of thousands of visitors and they are being targeted for the brand promotions. The 7000 mandies are also good platforms for promoting high end durable besides agri input products.

The army of mobile traders that go from house to house in rural India to sell a varying of FMCGs could be motivated, so that at least some could be converted to sell genuine company brands. All these are high involvement, touch and demo-channels that offer a great possibility of convincing ill informed consumers lacking confidence to buy.

Again, we have this fundamental question whether, the rural consumer is aware of the products; if yes, can he afford them? To answer these some of the largest MNCs like HLL and LG Electronics have established strong network in the rural areas.

"Sachet" revolution has indeed changed the dynamics of rural market. Many companies are coming out with "small pack – lower price" packaging and pricing of their product, to make them affordable to rural consumers. For example, HLL introduced Lifebuoy Soap for Rs.2/- and Coca Cola came out with an idea of returnable 200ml. glass bottle for Rs.5/- for rural market. They are developing special creatives, aimed at homogenous rural segments and these may be quite different from urban market communication approaches.

#### **ROLE OF IT IN DEVELOPING RURAL MARKETS**

With the cost of technology coming down day by day, several companies are attempting to create virtual bazaars or agri- portals akin to weekly mandies. The most notable virtual mandies are the e-chaupal by ITC, India Agriline by EID Parry and Dairy Portal by

Amul.

ITC's e-Caupal initiative has already reached 30 lakhs families of India and by 2010, it hopes to reach 10 million farmers. It is 5050 e-Chaupals at home ushered in a revolution of sorts in the six states of India serving integrated needs of 3 million farmers. Where the core activity is to tell the farmer the price at which ITC will buy Soya, Coffee, Fish and wheat on that day. It is a winning model as both ITC and the farmers make neat savings by passing the middlemen in the physical mandi. The same kiosks are now being used for reverse trading also for the companies to sell products and services needed by farmers directly. In the coming years, more and more companies are going to take IT route to make the rural markets more accessible and thus should open up new business opportunities.

#### **Bharat Strategy: an attempt to win Rural India - Case Let**

Two major telecom companies of the country Reliance Communications and Idea Cellular entered into two unusual partnership – Krishak Bharat Cooperatives Ltd. and the department of Posts. While Kribhco's 25,000 co-operatives will market RCom's telecom products and services, the post offices in Kerala will sell Idea's specially designed stamp sized recharge vouchers.

A few months earlier, Airtel entered into a joint venture with the Indian Farmers Fertilizers Co-operatives Ltd. (Iffco) to offer specifically designed products and services. The target consumers are the 55 million farmers under Iffco's fold. Airtel has already enrolled over 60,000 farmers under this scheme.

Mobile phone manufacturer Nokia, which had earlier launched a basic handset with a torch and alarm clock, has now gone a step further with Nokia Life Tools – a range of agriculture, education and entertainment services designed especially for consumers in small towns and rural areas. The life tools provide basic information on weather, mandi prices and crops.

The efforts of Indian telecom companies to win Bharat have finally started bearing fruits. Airtel gets more than half of its new subscribers from rural and semi urban areas. Similarly with Vodafone – Essar (50 percent), Idea Cellular (56 percent) and Reliance Communications (50 percent). The Indian telecom sector adds an average 10 million subscribers every month, of which rural areas account for over five million. And Nokia sells over 1.6 million phones yearly in rural

areas.

As per an Assocham Report on rural consumption, in three years the per capita income in rural areas will double. Considering that rural households form 72 per cent of the total, the rural market roughly comprises 720 million customers. The Indian telecom market woke up to the potential about three years ago and the moves are paying off now. Airtel's president, Atul Bindal said, the company was finally seeing its rural strategy yielding handsome results. Apart from the tie-up with Iffco, the company has set up Airtel Services Centres in rural areas to provide services and handle customer queries and complaints, eliminating the need of call centres. The company has also tied up with Nokia to launch an educational initiative in order to give rural users a live experience on mobility services, that include hands on training on making the first phone call and sending SMS with localised content.

But still selling phones in the rural areas is not a easy job. It is not easy to convince and sell products and services. Idea Cellular Managing Director Sanjeeva Aga agreed. "Providing telecom services in rural India is not an easy affair. Companies have to overcome many constraints, like electricity (causing infrastructural issues) and topographical and logistic (distribution) issues, among others. Moreover, rural India's income is dependent on harvest, monsoon and many other factors. The companies have hardly any option, as metros and major cities are saturated. The immediate benefits are low and would initially drain the operators' overall revenues, rural markets are lucrative in the long run. Look at the FMCG industry, where most of the majors are now focusing on rural areas. (11).

### Large format retail stores

The retail revolution in India has encouraged a few corporate to venture into the rural sector with large format agri-stores.

Going paces ahead of small packs and sachets, the corporate world is now coming out with "Rural Malls". Chaupal Sagar is one of the first organised retail effort in the rural area. This is a venture by ITC. It extended its warehouse into rural shopping-cum-information centre to attend the needs of rural consumers. The size of the mall is very small with just around 7000sq. ft. as compared to ordinary mall sizes in urban area. But it still offers everything- from toothpaste to television, hair oils to motor cycles, mixer grinders to water pumps, shirts to fertilizers, whatever a rural consumer needs. ITC started its first rural mall

in Sehore, Madhya Pradesh and is planning to expand its network by another 40 shopping malls across rural Madhya Pradesh and Uttar Pradesh, to increase its rural outlets all over India to 700 by 2013.

Following in the footsteps of ITC, DCM Sriram Consolidated Ltd. (DSCL) opened Haryali Bazaars in 2002 focussing mainly on agri-products. These bazaars offer:

- Quality Agri- Inputs
- Financial Services
- Farm Output Services
- Other Product and Services

So far, 70 Haryali stores have been set up in different states across India, which will be scaled upto 200-250 in the next year or two. Ranbaxy's Fortis Health World is tying up with Haryali Kissan Bazaar to enter the rural market.

Hindustan Lever followed another way of reaching rural consumers. Its Project Shakti (rural self help group) is a classic example of involving women in the distribution network through empowering women. The project started in 2000, encourages women to sell products and they operate like direct to home sales women. A typical Shakti distributor sells products worth Rs. 10,000- 15,000 ( around \$250) a month, which provides an income of Rs. 700- 1000 (around \$ 25) a month on a sustainable basis. This business model has created history in the Indian rural marketing. According to media reports, Shakti distributors now account for 15 percent of the company's sales in rural India.

Among its latest plans, HLL is involving non-competing brands/ companies to be part of its project. For example, HLL has approached ICICI Prudential and Max New York Life to sell their insurance policies through its Shakti dealers. Godrej Agrovet Ltd., is another company, which has initiated its rural retail business through "Godrej Aadhar". These outlets offer rural households, the basic food, grocery, apparel, footwear, furniture, kitchen ware, and home appliances, value added services and pharmacy. Godrej is planning to set up at least 1000 stores across the rural India in the next five years.

Even Indian Oil is planning to tap the rural market by opening Kisan Seva Kendras across the rural areas to provide fuel and non-fuel services to rural consumers. Taking a cue from the corporate world, even the government is thinking big for rural areas. The government of Madhya Pradesh proposes to develop Rural Shopping Malls (RSMs) across the state

to cater to the needs of rural population. The RSMS will act as two way supply chain. While selling goods to the farmers, these malls will also buy their farm produce. Raw materials and finished goods are traded under one roof.

### Challenges in Rural Markets

The rural markets are full of challenges because of its characteristics like illiteracy, distances, vast markets potential, communication, rail and road transportation, distribution of products and services, understanding consumer behaviour, socio- cultural factors, languages, lack of infrastructural facilities etc. The rural market is so wide and vast that it is difficult to cover and reach. One segment is totally from other segments. Every district, region and state is different from others. The whole India is different in itself and even then it is an ideal example of a country having different cultures. It is incredible India.

Knowing Rural India is a very difficult task, its spirit, feelings, warmth, distinctness, shyness, innocence and beyond that. If marketing / sales men try to cheat them, they feel disgusting and try to make distance from these people. Next most important point is that marketing men still don't know real needs of rural consumers. Designing wrong products, services and poor strategy without knowing rural India where their own consumer in the villages lives. It is also difficult to get skilled sales person conversant with rural culture. Though, marketing heads are educated from abroad and top institutions of the country but poor in knowing their consumer. There is gap in their knowledge what they know and what is in the reality about rural consumers. That is why products are getting failures in rural markets.

### CONCLUSION

An income dispersal projection by NCAER based on a 7 percent GDP growth (assumption) shows that the number of poor households will shrink by half to 28 million from 61 million, where as the middle income households will double and rich households will treble over the decade in rural India. This upward push, taking rural people from poverty to prosperity, will lead to increasing purchasing power.

Today's non-consumers comprising the rural poor will enter the market as the first time buyers in large numbers. Getting a larger share of the growing rural pie, will call for a radical shift in management thinking, from gross margin to high profit, from high value unit sales to a game of high volumes, capital efficiency and from the one-solution-fits-all mentality

to market innovation. Companies are taking specific initiatives to succeed in the dynamic rural market.

The CEOs are articulating a strong commitment to rural market and the marketing team is giving focussed attention and sustained support to this growing market segment. Further, rural marketing is being treated as separate area of work, the way export market is. The more researches are being conducted to understand rural consumers better and generate more reliable data on the rural sector. Language and regional behaviour variation, is being considered in developing rural communication strategy. The next big marketing revolution in the world is going to happen in the rural India and corporate are getting ready for it.

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