



Think Beyond 4 Ps.

Supriya Jha*

ABSTRACT

[The Indian established Industries have the advantages, which MNC don't enjoy in this regard. The strong Indian brands have strong brand equity, consumer demand-pull and efficient and dedicated dealer network which have been created over a period of time. The rural market has a grip of strong country shops, which affect the sale of various products in rural market. The companies are trying to trigger growth in rural areas. They are identifying the fact that rural people are now in the better position with disposable income. The low rate finance availability has also increased the affordability of purchasing the costly products by the rural people. Marketer should understand the price sensitivity of a consumer in a rural area. This paper is therefore an attempt to understand the rural market.]

Introduction

"India's way is not Europe's. India is not Calcutta and Bombay. India lives in her seven hundred thousand villages."

Mahatma Gandhi, 1926

* Amity School of Business, Amity University, 13 block, sector- 125, Noida(U.P)

The rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population.. Of this, 90% were concentrated in villages with population less than 2000. The rural India is home to 715 million or 12 percent of the world's total population. This segment, commonly referred to as the 'bottom of the pyramid', presents a huge opportunity for companies.

According to a study conducted in 2001 by the National Council for Applied Economic Research (NCAER), there were as many "middle income and above" households in rural areas as there were in urban areas.

There were almost twice as many "lower income households" in rural areas as in urban areas. There were 2.3 million "highest income" households in urban areas as against 1.6 million in rural areas.

NCAER projections indicated that the number of "middle income and above" households was expected to grow to 111 million in rural India by 2007, compared to 59 million in urban India.

Gone were the days when a rural consumer had to go to a nearby town or city to buy a branded product. The growing power of the rural consumer was forcing big companies to flock to rural markets. At the same time, they also threw up major challenges for marketers.

Nirma's success demonstrated that rural India did have the money and willingness to buy packaged goods.

Some of the important features or characteristics of Rural Marketing in India Economy are:

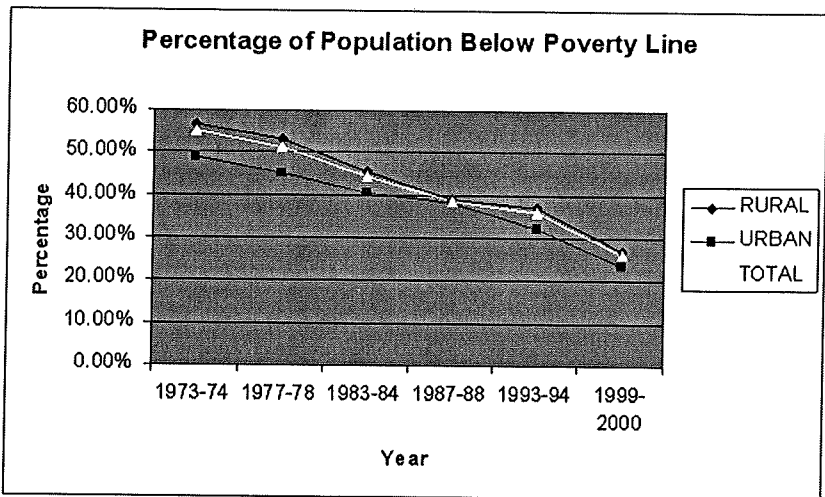
- With the initiation of various rural development programmes there have been an upsurge of employment opportunities for the rural poor. One of the biggest cause behind the steady growth of rural market is that it is not exploited and also yet to be explored.
- The rural market in India is vast and scattered and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers.
- The social status of the rural regions is precarious as the income level and literacy is extremely low along with the range of traditional values and superstitious beliefs that have always been a major impediment in the progression of this sector.

- The steps taken by the Government of India to initiate proper irrigation, infrastructural developments, prevention of flood, grants for fertilizers, and various schemes to cut down the poverty line have improved the condition of the rural masses.

Some Facts About Rural Economy

Rural BPL(Below Poverty Line) Trend Over the Years

Year	Rural	Urban	Total
1973-74	56.40%	49%	54.90%
1977-78	53.10%	45.20%	51.30%
1983-84	45.70%	40.80%	44.50%
1987-88	39.10%	38.20%	38.90%
1993-94	37.30%	32.40%	36%
1999-2000	27.10%	23.60%	26.10%



Source:NCAER

Rural BPL is decreasing

- 10 % improvement in 10 Yrs.
- Rural Fast Catching up with Urban
- Has a rippling effect on the overall BPL of India
- Rural overall fairing better than Urban India

Untapped Rural Potential

- 600,000 villages with 700 million people
- 50% of total GDP from rural India
- Nearly 50% of Very rich + Well off households in rural India

Demographic Classification of rural and urban population in India

Demographic Classification	No. of households (Million)		
	Urban	Rural	Total
Very rich (greater than 10 lakh per annum)	4.84	1.32	6.16
Well off (greater than 5 lakh per annum)	29.45	27.36	56.81
Total	34.29	28.68	62.97
Percentage of Total	54%	46%	100%

Source: Ministry of Communication & Information Technology, India.

We can see that, there is hardly any Gap between Rural & Urban India in terms of the Rich.

There are over one lakh villages with 2,000 population, while there are only 2,300 towns with 20,000 or more population.

Rural marketing in Indian economy can be classified under two broad categories. These are:

- The market for consumer goods that comprise of both durable and non-durable goods.
- The market for agricultural inputs that include fertilizers, pesticides, seeds, and so on.

Some Impressive facts about the Rural Sector,

- In the year 2001-02, LIC sold 55% of its policy in rural area.
- Of 2 million mobile connections, 50% are in small/towns and villages.
- Of the six lakh villages, 5.22 lakh have a Village Public Telephone (VPT)
- 41 million Kisan Credit Cards issued (against 22 million credit plus debit cards in urban) with cumulative credit of 977 billion resulting in tremendous liquidity.

What is changing in the rural market

1. Infrastructure
2. Disposable Income
3. Media penetration
4. Aspiration

Climbing Social indicators-

Between 1981 to 2001-

1. Number of pucca houses doubled from 22% to 41% and kuccha house halved (41% to 23%)
2. Percentage of BPL families declined from 46% to 27%.
3. Rural literacy level has improved from 36% to 59%.
4. Infrastructure improving rapidly.....

5. In 50 years 40% roads were connected by road, in next 10 years another 30%.
6. More than 90% villages have been electrified, though only 40% of home connection has got electric connection.
7. Rural telephone density has gone up by 300% in the last 10 years, every 1000+ population is connected by STD.

The Challenges

Electricity Shortage – Sporadic Power Supply

- Acute Water Shortage.
- Poor Transportation availability.
- Consumer Finance Options
 - ♦ Can we make energy saving products??
 - ♦ Can we give him a washing machine which consumes less water??
 - ♦ Can we give him access to buying products nearby his location??

Solution

- Set up of a Life style Research Team this would analyze the needs & preferences of the consumer, in depth.
- Understand at length his comfort levels in terms of what he wants and what he would spend for what he wants.
- Make products and service available for him to suit his needs & Preferences.
- Have a deep pocket network to make products available for him at a close proximity from where he can buy.

The approach of the marketer should be,

- Regional Marketing Approach
- Deep Channel Penetration

- Sophisticated & Deep After sales Service
- Rural Centric Marketing Promotions

What the company can do -

- i) Management trainees may begin their career with the company by spending a month or two in a rural village. Senior managers should emphasize the importance of rural markets.
- ii) Low priced products can be more successful in rural markets because the low purchasing, purchasing powers in rural markets.
- (iii) Rural consumers have mostly homogeneous group with similar needs, economic conditions and problems.

Various innovations in the marketing mix had been introduced, with the requirements of the rural markets in mind. There are several examples of companies that have generated wealth for the poor and profits for themselves by focusing on underserved rural markets. Mass media reached only 57% of the rural population. HLL realized that it had to use unconventional media to enhance awareness. The companies are trying to trigger growth in rural areas. They are identifying the fact that rural people are now in the better position with disposable income. The low rate finance availability has also increased the affordability of purchasing the costly products by the rural people. Marketer should understand the price sensitivity of a consumer in a rural area. The small sachet packs are the examples of price sensitivity. Colgate has done this experiment with launching of sachet packs for rural markets. The FMCG industry is set to grow 20-30 per cent in 2009-10, up from 10-20 per cent in 2008-09. The growth would be driven by the launch of new products and increasing rural consumption, according to industry experts.

We can take the example of some of the initiatives taken by companies for rural marketing.

Nokia has sent two dozen vans staffed with sales representatives on continuous six-month treks through India's countryside. The sales reps don't take orders and they don't sell phones; instead, their task is to explain why anyone in a small farming community would want a mobile phone in the first place, and a Nokia in particular.

Hindustan Levers' Project Shakti fetches 10 percent of its total sales from rural markets.

ITC's Choupal Sagar records an average footfalls of 1,200 a day and nets Rs 2 lakh; the company will be launching 50 such rural malls by the end of the next fiscal; it stocks almost all the leading durables and non-durables brands.

Industrial conglomerates such as the Tatas, the Mahindras, the Godrejs, DCM Shriram group, EID Parry, oil majors Indian Oil and Bharat Petroleum, and bankers like ICICI and SBI are making a beeline towards the hinterlands. What makes them rush to rural markets is the fact that almost all of them have been facing saturation in the celebrated urban markets since the opening up of the economy in 1991, and especially during the past five years due to stiff competition and brand proliferation.

ITC's Choupal Sagar; HLL's Project Shakti; DCM Shriram's Hariyali Kisaan Bazaar; Godrej's Aadhaar Stores; Mahindra's ShubhLabh Stores, oil major IOC's Kisan Seva Kendras are some of the examples of how India Inc has moved on a path-breaking manner to tap this market.

Marketing in developing countries like India have often been borrowed from the western world. Concepts like Brand identity, Customer relationship management, 4 P's of the marketing mix, Consumer behaviour process; Segmentation, targeting and positioning etc. have often been lifted straight from the marketing intelligentsia abroad and adopted in Indian conditions, often with minimal success. **Reason lies not in the fault of such concepts, but their integration with the Indian ethos and culture.**

The Indian rural market with its vast size and demand base offers a huge opportunity that MNCs cannot afford to ignore. The more daring MNCs are meeting the consequent challenges of availability, affordability, awareness and acceptability (the so-called 4 As)

Availability

The first challenge is to ensure availability of the product or service. In terms of physical distribution due to lack of infrastructure the costs are very exorbitant to reach the rural customer. Thus, mediums like rural marketing vehicles and melas and haats provide better opportunities to meet customer needs.

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 whom are on daily wages. Rural people consume most products such as shampoo, biscuits, tooth powder, etc in micro units. This is majorly linked to the fact that they earn in daily or weekly wages.

Awareness

Companies also face a daunting task in communicating about their products to the consumer due to lack of literacy and failure of traditional media to penetrate in the rural households. Hence, the advertising mix has to be more towards non-conventional yet effective medium like Puppetry, Folk Theater & Song, Wall Painting, Demonstration, Posters, Agricultural Games, NGO's network, etc. Thus overall either the product or communication or preferably both need to be customized to target the rural customer.

"If you're trying to persuade people to do something, or buy something, it seems to me you should use their language, the language in which they think."- David Ogilvy

Companies cannot rely on conventional advertising techniques in India's rural areas where only one in every three households owns a television set and more than half of all villagers are illiterate. Instead, companies need to turn to more innovative methods of advertising to reach their potential customer base.

Acceptability

The fourth challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market.

Interestingly, the rural market is growing at a far greater speed than its urban counterpart. "All the data provided by various agencies like NCAER, Francis Kanoi etc shows that rural markets are growing faster than urban markets in certain product categories at least. The share of FMCG products in rural markets is 53 per cent, durables boasts of 59 per cent market share. Therefore one can claim that rural markets are growing faster than urban markets," says Sampark Marketing and Advertising Solutions Pvt Ltd managing director R A Patankar.

Clearly the main challenge that one faces while dealing with rural marketing is the basic understanding of the rural consumer who is very different from his urban counterpart. Also distribution remains to be the single largest problem marketers face today when it comes to going rural. "Reaching your product to remote locations spread over 600,000 villages and poor infrastructure - roads, telecommunication etc and lower levels of literacy are a few hinges that come in the way of marketers to reach the rural market," says MART managing director Pradeep Kashyap.

Anugrah Madison's chairman and managing director RV Rajan sums up, "There is better scope for language writers who understands the rural and regional pulse better. I also see great scope for regional specialists in the areas of rural marketing - specialists like Event Managers, Wall painters, folk artists, audio visual production houses. In fact all those people who have specialised knowledge of a region are bound to do well, thanks to the demands of the rural marketers."

Conclusion

Improving the lives of the billions of people at the bottom of the economic pyramid is a noble endeavour and it can also be a lucrative one. To launch a product especially in the FMCG sector a through market analysis has to be done as psyche of rural consumers is totally different from the urban consumers in India subcontinent. Looking at the challenges and the opportunities which Indian rural markets offer to the marketers it can be said that the future is very promising for those who understand the dynamics of rural markets and exploit them to their best advantage.

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