

Tap rural markets to power sales

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ARTICLE DETAILS

Article History

Published Online: 13 March 2019

Keywords

Rural marketing, 4 A's, Saturation, Affordability, Availability.

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ABSTRACT

Rural India is the heart of the Indian economy. Today, marketing in India cannot be restricted to the urban region. The rural market, with its huge customer base provides wide scope to the marketers. As the urban market is getting saturated, there is a great need for companies to explore the new markets. The rural market offers the vast potential. Rural population (% of total population) in India was 66.86 in 2016. Companies have realised the need to create offerings that are specifically meant for the rural people and as a result, newer strategies are developed that best meet the requirements of the rural India. The 4 A's of marketing that is Availability, Affordability, Acceptability and Awareness have been widely followed by the companies to carve a niche in the rural market. The paper emphasis is on how the companies have been understanding the consumer behavioural pattern in the rural India and accordingly chalking out the strategies to tap in the vast potentiality offered by the rural markets with the main emphasis on the 4A's.

1. What is rural?

According to the Census of India, villages with clear surveyed boundaries not having a municipality, corporation or board with density of population not more than 400 sq km and with at least 75% of the male working population engaged in the agriculture and allied activities would qualify as rural.

The Census of 2011 clearly depicted the spread of Indian population in the rural and urban areas. It clearly showed that the rural market had about 83.3 crores of population whereas the urban area had 37.7 crores which indeed was a major blow to the marketers and hence they decide to think concretely in terms of "Going Rural".

2. Rural marketing

According to the National Commission on Agriculture "Rural marketing is a process which starts with a decision to produce a saleable farm commodity and it involves all the aspects of market system, and includes pre and post harvest operations i.e. Assembling, grading, storage, transportation and distribution".

Rural marketing consists of two terms; rural and marketing. Whenever the efforts of marketer are directed towards the rural population, catering to their needs and requirements, the process becomes rural marketing process. It includes the process of delivering manufactured goods, services or ideas to the rural producers or consumers which adds value and utility to their lives. The process includes the wide gamut of activities right from research, developing the product, pricing, promoting, and physically distributing the rural specific products and services. Herein, there is an exchange between the rural and the urban markets. It emphasizes on utilizing up the huge size of the untapped rural market. As the markets have grown wide and saturated on local and global front, all FMCG as well as other companies search for new opportunities, consumers and markets. The 800 million potential consumers in rural India is promising enough for any marketer to think of "GO RURAL" strategy. It has now become

paramount for the firms to understand the dynamics of rural markets and exploit them to their best advantage.

Initially, there was a wrong presumption that rural market could only absorb the agricultural inputs like seeds, fertilizers and pesticides, cattle feed and agricultural machinery. The rural is no longer agricultural or cattle rearing based. The rural is the new urban. As per the data issued by the Central Statistical Office at the current prices, the share of rural areas in total NDP in 1970-71 was 62.4 percent whereas in 2011-12 was 46.9 percent. Rural India offers ample opportunities to market the modern goods and services equivalent to the urban market.

The companies have come up with the 4 A's strategy to make it big in the rural markets. These 4A's stand for Availability, Affordability, Acceptability and Awareness. By studying these 4A's, a lot of companies have and continue to create their mark in the rural space.

3. 4 A's of rural marketing

1. Availability

For every company, the first and foremost challenge is to ensure the availability of its products or services in the rural India. For the companies that wish to survive on long term basis and earn profits on regular basis, it's important to make their products widely available in the rural region. Initially, companies were extremely apprehensive to "Go Rural". The reason was very apparent; understanding the distinct rural consumers with distinctive tastes and requirements. But realising the importance, the firms have set up their new distribution channels to make their presence felt in the Rural India. It is impossible to stick to just one channel of distribution for the firms in order to do justice to the rural consumers.

Tata tea came up with an extremely intelligent way of reaching the target rural market. It realised that the people in

direct touch with the rural people understood their behavioural patterns way ahead than any corporate team. They made contacts with NGOs, which have greatest reach to the rural people, acting as the first tier. These NGOs facilitate reaching the rural masses through ready infrastructure. Under its project of "GaonChalo", Tata Tea joined hands with 12 NGOs to reach interior markets in Uttar Pradesh. The distribution system is followed by 2 other tiers from villages. These NGOs would collect various products from Tata Tea on credit and hand over to mobile rural distributors (tier-2), who would visit a fixed number of villages and supply tea to small rural retailers (tier-3). These retailers are in direct touch with the rural folks and would in turn sell to the rural consumers. In the director's report so issued by the chairman Ajoy in March 2016, the GaonChalo model had by far reached over 74,000 villages across 19 states.

LG one of the biggest electronic sellers in India, realised the scope the rural India provides. The company started with the creation of the most reliable and innovative distribution channels. The organisation sent its vans covering the distance of 5000kms every month to the remotest of the areas; reaching to the interiors of even the most remote villages. Focussing on the rural growth, Kim, the Managing Director, LG Electronics India in 2017 said that the government's initiatives of electrification of villages and investment in infrastructure in rural regions had significantly grown rural demand for consumer durables and hence the company is making simpler goods for the rural customers.

Xiaomi, the Chinese smartphone maker entered India through an online-only business model. It decided to go offline in 2018 and had set up 500 Mi Stores in rural parts of the country and indeed has plans to increase it up to 5000 stores by the end 2019.

Coca-Cola, the biggest soft drink company in India realised that the centralized distribution channel fit for urban area was misfit for the rural regions. So, the company established its own hubs and spokes as part of its distribution model and as alternative options haats (weekly markets) & melas (fairs) held annually in various parts of the country are sought after. In 2004, Coke claimed that 80 per cent of its new drinkers were from rural India. In mid 2018, coke claims to have 35-40% of its sales from rural India with about 45%-50% of its outlets in the rural market

2. Affordability

Another major A in the rural marketing is the affordable price; a price which the rural consumer can afford without any reluctance. The rural people generally have a low disposable income and hence the product should be priced in a way that the benefits exceed the price of the commodity. Some companies have addressed the affordability problem by introducing small unit packs.

Godrej Appliances came up with 'ChotuKool' refrigerators pegged below ₹6,000 for meeting the requirements of the Rural India. It is cheap, portable as is light weighed. With 35 per cent of its turnover contributed by rural markets, Godrej Appliances has always been developing such specific low

priced products meant especially for the rural India. In 2017, Kamal Nandi, the Business Executive Head revealed that the company is working on an unique thermo-electric technology in its "chotukool". Already with about 40 litres of capacity, ChotuKool can work without electricity, and work even when temperatures are as high as 40 degrees (Celsius).

Today, most of the shampoos, pastes, soaps, face washes are available in the smaller packs. Fair and lovely, launched its smaller pack keeping in mind the rural Indians. Colgate toothpaste launched its smaller packs to cater to the travelling segment and the rural consumers.

Hindustan Lever, having realized the potential of India's rural market, had launched a small pack of its largest selling soap brand, Lifebuoy at Rs 2 for 50 gm. It also introduced a lower priced fair and lovely cream specifically to cater the needs of the rural people. Nearly a decade ago, ITC had launched "Superia" a range of toiletries and "Sunfeast" the low priced biscuits to attract semi-urban and rural buyers. During the same time, Idea tied up with handset leader Nokia and Reuters to run pilot tests of Nokia Life Tools. It was a VAS service that promised benefits to the people of Maharashtra. The offerings included weather update, language teaching tools on SMS and ringtone and screensaver downloads which were for agricultural, educational and entertainment purpose. The prices for these services were quite affordable for the rural people as it ranged between Rs 30-60. Idea Cellular also introduced rural calling card that charged only 50 paise per minute for a local call.

BPCL introduced Rural Marketing Vehicle (RMV) as their strategy for rural marketing. It moved from village to village and filled cylinders on the spot for rural customers. BPCL considered low-income of rural population and therefore introduced a smaller size cylinder. The five-kg cylinders so introduced reduced the cash outgo at one time from the rural customers and helped in higher penetration in low income groups. Initially in year 2002, BPCL introduced 20 rural LPG marketing vehicles which offered filling facility near the customer location. In 2001, when Coca Cola India surveyed the consumption of 300 ml, Rs 10 coke in the rural region, the results were disheartening as people considered it costly. In a year itself, CCI launched 200 ml bottles (Chota Coke) priced at Rs 5. It pushed it more in rural areas, as the rural market was very price-sensitive.

3. Acceptability

The third challenge is to gain Acceptability for the product or service in the rural India. The rural India differs a lot from urban India. The tastes, preferences, requirements of rural people differ variedly from the urban people. So, Acceptability becomes a major A for every company. A lot of research and analysis goes into deciding the kinds of products to be offered in the rural markets.

The initiatives of Coca Cola India for its acceptance in rural markets are incredible. The company had put up hoardings, signs, billboards in villages and painted "Coca Cola" on the walls in the villages. Because of the lack of electricity in the rural areas, it had been providing low-cost ice boxes, a tin

box for new outlets and thermocol box for seasonal outlets. Further, CCI also participated in the weekly mandies. Temporary retail outlets were set up. CCI also launched television commercials (TVCs) targeted at rural consumers. In year 2018, Coca-Cola India Pvt. Ltd, the local unit of The Coca-Cola Company, decided on banking on everything local. It began with using local fruits, flavours and brands. In the past one year, maker of Coca Cola and Sprite have launched a series of products in traditional flavours like jaljeera and fruits like orange, guava, pomegranate, litchi, and specific mango varieties—Himsagar and Langra that are grown only in West Bengal. The step mainly meant to reach every Indian specifically the ones in rural India.

LG Electronics realised that rural customers are not just price conscious but also value conscious and were ready to pay premium if they get solutions to their problems. In 1998, it developed a customized TV for the rural "Sampoorna – complete solution to their needs". It was a hit selling 100,000 sets in the very first year. 12% of its turnover came from this particular TV set in year 1999. Another one known as Cineplus was introduced which again catered the rural needs. The company tripled the retail distributors in the rural India from 2004 to 2008. Rural people have always preferred durability over other attributes. The company having realised this made washing machines of plastic bodies instead of metal for the coastal areas. This was to protect from the high corrosive content of salt in the water. Further, as the rural areas have erratic electricity supplies the product designed has to meet those demands. For example, the refrigerators have built-in voltage stabilizers to protect the compressor.

Currently, HDFC SL is working on SarvGrameenBachatYojana. It is a special offering from HDFC Life Insurance Company Limited (Formerly HDFC Standard Life Insurance Company Limited), exclusively for rural customers to help them prepare. HDFC SL SarvGrameenBachatYojana provides robust returns even on an investment of as small as Rs. 200 by adding 50% to original investment in 5 years. Apart from guaranteed returns, this plan offers the essential security of a life insurance. Since a long time, the company had tied up with non-governmental organizations and offered reasonably-priced policies in the nature of group insurance covers.

Eveready Industries India Ltd. has launched product for rural markets in the form of Homelite, a new alternative lighting solution based on LED technology, which is safe, cost-effective and long lasting.

4. Awareness

Awareness about the product forms the fourth element of the 4 A's of the rural marketing. It is the way how the rural people are approached by the companies in the market. It deals with how the rural people are made aware of the product. In 2010, Hero MotoCorp Hero MotoCorp (erstwhile Hero Honda), in order to delve deeper into the rural markets came up with 'Service HarJagah', a door-to-door servicing facility. It is a network of customised bikes fitted with servicing equipment. They moved around the country servicing bikes in rural towns. About 7500 villages were covered each month.

The initiative is still ongoing. In 2018, there was no close match to the company in the rural market with about 50-55% of its sale demands coming from the rural India.

Another firm that grew big in the rural market is ITC. Open the ITC page on internet and here comes a splendid line which has indeed turned into reality. The line says "E-Chaupal-World's largest Rural Infrastructure; Empowering 4 million farmers." The concept that had its inception in U.P. and M.P has found its place in villages of almost every state. This is how the chaupal works. There are village internet kiosks managed by farmers called sanchalaks which is well established in bricks in mortars. They enable the agricultural community access ready information in their local language. Farmers can access latest local and global information on weather, scientific farming practices, and market prices at the village itself through the web portal—all in Hindi. It also facilitates supply of high quality farm inputs as well as purchase of commodities at their door step. In an interview, the managing Director of ITC, Sanjeev Puri stated that goal of company in 2019 projected the version 4.0 of E-Chaupal, digital technology that will not just be inside a kiosk but infact would be made available on the mobile platform..

Coca-Cola uses a combination of TV, cinema and radio to reach the rural households. In 2003, CCI came up with three commercials with the 'ThandaMatlab Coca-Cola' tag line. All the commercials aimed at rural consumers. The first featured Aamir Khan as a 'tapori' (street smart); in the second one he is a 'Hyderabadi shop-keeper'; The third commercial featured him as a 'Punjabi farmer' who offers Coca Cola to ladies. In all the advertisements the term "thanda" was equated to the "Coca Cola" which meant that the company strived at making "coca cola" generic to thanda. Coca-Cola advertising stressed its 'magical' price point of Rs 5 per bottle in all media.

Lifebuoy introduced the SwasthyaChetna program, with their officers visiting 43,000 villages and schools in rural India over the course of five years which started in year 2002. The aim was to spread awareness regarding the washing of hands in order to keep healthy.. The famous Lifebuoy jingle "Tandurustikirakshakartahai Lifebuoy, Lifebuoy hajjahantandurustihaiwahan" is indeed like the health anthem of India which has left indelible imprints on the minds of the Indians. Lifebuoy's SwasthyaChetna was the single largest rural health and hygiene educational programme ever undertaken in India. The biggest recognition to its efforts came in the year 2006 when the Indian Postal Department released a special SwasthyaChetna PostalCover. This was in recognition of its incredible efforts to promote and spread awareness about health and hygiene. The company became "SwasthyaSehbhagi" at Kumbh 2019.

4. Conclusion

For every company, the market is incomplete if the rural market is ignored. India, still being an agrarian economy gets more than half of its population from the rural region. It is not impossible to understand the rural customers. A little difficult the task, once done with sheer determination has made several firms successfully rule the rural hearts. The most important thing is to keep the rural customers in the mind while

making the offerings to the rural market. Every activity needs to be tailor made keeping the requirements and preferences of rural customers in the mind. There is huge potential and definitely a lot of money in the rural India. Though, there are several roadblocks in the way yet every smart company need

to strategically figure out ways of reaching the rural India and tap in the vast potential of these untapped profitable markets. There is a need to intelligently study the 4 A's and develop such a marketing mix that caters to the need of the rural population giving the companies the competitive edge.

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