



Rural Marketing in India – Strategies & Perspectives

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ABSTRACT

The potential for growth in business is surely moving towards the rural market from the urban one and marketers have to gear up for this change by devising suitable marketing strategies for the Rural market place.

Keywords: Rural market, Rural Consumers, Marketing Mix, Product, Price, Promotion, Place, Strategies

INTRODUCTION

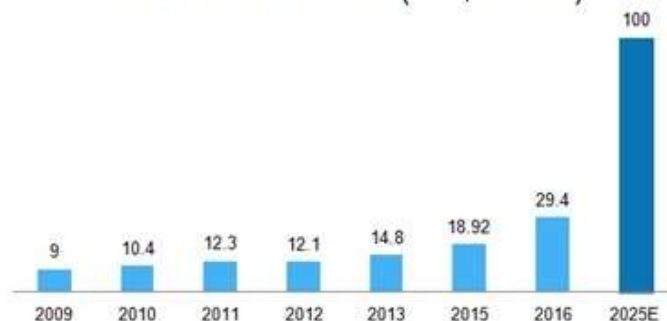
The Indian subcontinent is a vast area comprising of about 650,000 villages inhabited by about 850 million customers making up about 70 percent of population and contributing more than 50% of India's Gross Domestic Product.

Traditionally the rural consumer would prefer low priced products with utility value rather than high value high price products or services. However this consumption pattern has undergone significant change in recent times. Rural consumers are now moving towards purchase behaviour guided by aspects of utility, aesthetics and features and not only by prices. So consumption patterns of rural areas are gradually changing to resemble consumption patterns of urban areas, although this will take much more time.

Owing to a favourable changing consumption trend and also the potential size of the market, rural India now provides a lucrative investment opportunity for manufacturers. The Market Research firm Nielsen has projected a rural market of US \$ 20 billion by 2018 and up to US \$ 100 billion by 2025 which is an indication of the emerging expanse of the rural market.

ALL INDIA

Rural FMCG market (US\$ billion)



Source: AC Nielsen, TechSci Research, Dabur Reports
Note: E - Estimate

Rural Market

The National Sample Survey Organisation (NSSO) defines rural markets as those areas with fewer than 5,000 residents, a population density less than 400 people per square kilometre and at least 75 percent of the male working population employed as agriculturalists.

The Rural market has two components . There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas.

The urban to rural flow consists of agricultural inputs, fast-moving consumer goods (FMCG) such as soaps, detergents, cosmetics, textiles, and so on.

The rural to urban flow consists of agricultural produce such as milk & related products, seeds, fruits, vegetables rice, wheat, sugar, and cotton. There is also a movement of rural products within rural areas for consumption.

The structure of the rural market can be defined by interlinking the Product and Consumer flow processes as mentioned in the illustration below. The buyer and seller have been taken to define different systems in rural markets.

	Urban	Rural
R u r a l	1. Agricultural Products (Food grains etc.) 2. Oil seeds, Cotton, Tobacco, Sugar Cane etc. 3. Handicrafts and Rural Products	1.Small agricultural tools 2. Household earthen items, wooden items etc.
U r b a n		1. Consumables and consumer durables. 2.Agricultural inputs like seeds, fertilizers, tractors etc 3.Services like health education, Market Information etc.

The rural market in India is characterised by the following:

1. Large and scattered population
2. Lesser purchasing capacity
3. Market growth for branded products
4. Lack of infrastructure
5. Low standard of living and low per capita income
6. Traditional outlook

Marketing strategies for the Rural Market

Given this scenario and the characteristics of the Rural Market, there are unique challenges to develop this market for the manufacturer. Marketers face a number of problems like physical distribution, logistics, no proper and effective sales force and no effective marketing communication when they enter into the business of rural markets. So suitable marketing strategies have to be devised by companies for overcoming these problems and taking advantage of the increased potential of the rural market. These Marketing strategies are developed around the **Marketing Mix** that is a Combination of certain controllable elements such as **Product, Price, Promotion and Place**.

PRODUCT: The features and appearance of goods and services

PRICE: How much customers pay for a product

PROMOTION: How customers are informed about the product

PLACE: The point where products are made available to customers

PRODUCT

The products of the organisation must be acceptable to rural consumers in all significant aspects. The firm must produce products according to the needs and future demands of rural buyers. The product features like size, shape, color, weight, qualities, brand name, packaging, labelling, services, and other relevant aspect must be fit with needs, demands and capacity of rural buyers. Product strategies followed are:

Product Strategies:

I. Low unit Packs (LUP)

Small packs in place of large packs are more acceptable for rural consumers because rural people have very less cash reserve with them. Many companies have adopted the strategy of LUPs not only to penetrate into the rural market but also to motivate people to try the new brand.

Godrej has introduced its Cinthol, Fair Glow and other Godrej products in 50 gram packs that are priced at Rs. 4-5, particularly for the markets of Uttar Pradesh, Madhya Pradesh and Bihar.

Lux toilet soap is made available in 25 gram packs in rural areas. Philips introduced its free power radio, a radio that does not require power or battery for operation, for Rs. 995.

II. Refill Packs

The concepts of refill packs are promoted by the marketer as the money saving options. Consumers once purchase the product which is packed in bottle of either plastic or glass and then they need not purchase a whole new bottle for their next use. They can just refill the bottle with refill packs which comes in poly packets. The price of such refill packs is lower than the price of the products that are available in bottles which is preferred by rural consumers

PRICE

Rural consumers are most price sensitive expecting value for money and price plays a major role in their buying decisions.

Pricing Strategies:

I. Increasing the term of payment of loan

Banks which grant loans to rural consumers for the purchase of expensive consumer durables can increase the time period for repayment of loan.

II. Financing at low interest

This strategy applied by marketers in urban area is also suitable for the rural counterparts. By this consumer's would buy high priced consumer durables under finance schemes and make the payment usually on monthly basis as 'EMI'.

PROMOTION

The promotional activities for the rural market should be undertaken through media that are comfortable and appropriate for the rural areas.

The method of promotion needs to meet the expectations of the market. Vehicle campaigns, edutainment films, generating word of mouth publicity through local reference groups and opinion leaders, colorful wall posters, etc. — all these techniques have proved effective in reaching out to the rural masses.

Village fairs and festivals are ideal venues for projecting these programs. In certain cases, public meetings with Sarpanch and Mukhiya too are used for rural promotion. Traditional art forms such as puppet shows and street plays or creating awareness through village panchayat members can prove to be fruitful. Other methods like distribution of pamphlets, use of mobile publicity vans and advertising on walls can also assist in establishing a relationship with the rural masses.

It is also important that in all type of rural communication, the rural peoples must also be in the loop. The theme, the message, the copy, the language and the communication delivery must match the rural context.

Promotion strategies:

I. Sales Promotion It is a short term tool adopted by the marketer to increase the sales of the particular product / service in a particular area for a particular period of time.

According to marketers, sales promotion includes those sales activities that supplement both personal selling and advertising, and coordinating them.

The following are the different types of sales promotion –

Free display materials – Free display materials like banners, sign boards, neon lights etc. are distributed among dealers to attract and inform the customers about the products.

Storage materials – Storage materials like racks, shelves, refrigerators etc. are distributed among shopkeepers who help in visual merchandising and also aid in storing the product.

Demonstrations – Important technique of push-up sales promotion, free demos at dealers' shops inform the consumers about the handling of the product.

Incentives to dealers – Under the push-up sales promotion special incentives are provided to dealers on the number of units sold to the ultimate consumers.

Lucky draw contest – It is to motivate dealers to stock the company's products and promote sales, and lucky draw contest are organized among dealers.

Free gifts – It is a common strategy adopted by the companies and free gifts are often distributed among dealers during festive seasons to increase the consumer base.

Free distribution of Samples

Distributing free samples among rural people not only popularize the product but also gain huge acceptance among them. When the company decides to enter into new market and launch the new product, in such cases free distribution of samples is an effective pull-up sales promotional activity.

With-pack Premiums

Here, a free product is given either inside the pack or outside the pack. This attracts the rural customers to purchase the product. This is successful only when the free product is either complementary or useful to the consumers. For example, a free toothbrush that comes complementary with toothpaste.

Price-off Premiums

This refers to the cut-price technique for a product. This is useful not only in case of FMCGs but also in case of consumer durables if the discount is appropriate.

Money Refund Premiums

It refers to the price of the product, which is partially refunded to the consumers on the repurchase of same product by showing of proof of previous purchase like cash memo, empty wrapper, poly packs etc.

Exchange Premiums

It is quite similar to the above strategy, under which instead of refund of money a new product is given to consumers on showing of proof of previous purchase.

II. Personal Selling

For the marketer to adopt personal selling as a tool of promotion in rural area, following are few of the basic requirements that need to be present in their salesperson

Familiarity with the Rural Area – It is difficult for the salesperson to be familiar with rural area. As the population of rural region is scattered, it becomes a lot more important for the salesperson to have sufficient knowledge about rural area which he is supposed to cover.

Proficiency in Local Language – Fluency in the local language is another key skill that must be present in the salesperson. It acts as a major communication point in converting prospective customer into an actual one.

Acquaintance with the Rural Folks – It is a common tendency among rural people that they only pay attention to those people whom they can consider as a part of their social group. Thus, if the salesperson belongs to the particular rural district, in that case his job not only becomes easy but also chances of success in achieving his sales target increase strongly.

II. Public Relations

Public relations in case of marketing promotions in case of rural areas are highly important so as to create the formal relationship with the newly acquired customers. Also, dissemination of information concerning the rural folk is possible only through effective public relations.

Educating rural people about the importance of administering polio drops to children, vaccination to mother and child, sanitation, hygiene etc. has become possible only through the publicity health campaigns.

Customers may be attracted by using the mass media like organizing folk songs competition, folk dances,

magic shows, puppetry shows, street theatre, acrobatic skills, juggler, etc.

IV. Advertising

For marketing communication in rural areas, the companies should use organized forms of media like TV, Radio, cinema and POP (point of purchase) advertising. In recent times, television is gaining popularity in rural areas but due to lack of supply of electricity, radio is performing quite better.

The rural people need demonstration, short-feature films and direct advertisement films that combine knowledge and perform as better rural marketing communication. The companies now also use audiovisual publicity vans that sell the products with promotion campaign directly. Companies can also organize village fairs, drama shows, and group meetings to convince the rural consumers about the products and services. Village Haats, Melas and Mandis are places of social get togethers for rural people which can be used by marketers for displaying their products and successfully generate interest In the product and subsequent desire to buy.

PLACE

Rural market faces critical issues of distribution. A marketer has to strengthen the distribution strategies. Distributing small and medium sized packets through poor roads, over long distances, into the remote areas of rural market and getting the stockiest to do it accordingly.

Both physical distribution and distribution channel should be decided carefully to ensure easy accessibility of products for rural consumers. Choosing the right mode of transportation, locating warehouses at strategic points, maintaining adequate inventory, sufficient number of retail outlets at different regions are some of the critical decisions in rural distribution.

Distribution strategies:-**I. Physical Distribution and transportation**

Regarding the problems of physical distribution, the marketers may have stockiest/ clearing-cum-forwarding (C&F) agents at strategic location for facilitate the physical distribution for its products in the rural market. The important advantage of this scheme is that the costs of physical distribution can be shared between the companies and stockist.

II. Retail Sales Outlets

The rural market consists of a number of retail sales outlets along with low price shops under the public distribution system. The companies dealing in consumer goods could apply this model and appoint a number of retailers in rural market and attach them to the stockist who distributes the goods to the retailers as per the potential demand of the market. This approach will help the companies penetrate into the interior areas of the rural markets.

All possible efforts should be made to make the products available at the doorstep of the target audience. Direct contact with the local vendors and retailers has to be established. Cooperative societies, public distribution system, feeder markets, village weekly markets fairs and festivals can be utilized to ensure adequate distribution of one's products.

Some innovative rural marketing strategies:

A. E-Choupal initiative by ITC

A private initiative has been taken by ITC Ltd in the state of Madhya Pradesh. In 2000, ITC established computers and Internet access in rural areas across several agricultural important regions of the country, where the farmers can directly negotiate the sale of their produce with ITC. A personal Computer [PC] with Internet access at these centres enable the farmers to obtain information on mandi process, good farming practices and place orders for agricultural inputs like seeds and fertilizers. This helps farmers in improving the quality of produce and also helps in realizing better price. Each e-Choupal is run by a sanchalak [facilitator] who is a trained farmer or a youth of the village. The computer is linked to the Internet via phone lines or by a VSAT connection and serves an average of 600 farmers in the surrounding ten villages within about a 5 km radius. The sanchalak bears some operating cost but in return earns services fee for the e-transactions done through his e-Choupal.

In this system 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.

This initiative from ITC has become a benchmark today in the Indian agro-sector marketing. ITC estimates that around 20 million consumers are being reached through e-choupal system as the company

has begun to market its own FMCG products through these e-choupals.

B. 'Project Shakti' by HUL

HUL was the first company to step into Indian rural marketing. HUL started its first effort towards going rural 1960's onwards, through indirect coverage of accessible rural market through its urban network stockiest and distributors.

In 1990, HUL launched 'Operation Streamline' for distribution of products to inaccessible rural markets with high potential using unconventional transport like bullock carts, tractors and bicycles and appointed rural distributors and star sellers.

In 2000, HUL started **Project Shakti** to reach inaccessible low potential rural markets. This project has reached 100,000 villages. The concept of HUL was to appoint a local woman in a village as SA or Shakti Ammas who would buy products from HUL after investing an amount of money and then sell these products to the village households earning profit of about 10% per month on the investment amount in a direct to consumer retail distribution model. This initiative, along with other strategies such as extensive last-mile distribution and small packs of products have helped HUL in capturing the rural market to the extent that more than 50% of the company's business now comes from the rural consumers.

Conclusion

The challenges of entering and retaining the rural market are formidable but with effective and well executed strategies marketers can certainly be successful in winning this challenge. It is important for marketers to realize that with rise in income levels and spreading reach of media in rural areas, the tastes and preferences of many rural consumers today have begun to resemble those of the urban consumers and therefore traditional rural marketing strategies may not work for them.

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