Rural Marketing: Challenges, Opportunities & Strategies

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Rural marketing is confused with agricultural marketing.

"The future lies with those companies who see the poor as their customers."
-C. K. Prahalad
Addressing Indian CEOs, Jan 2000.

Concept

In recent years, rural markets have acquired significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities.

On account of green revolution, the rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely, rural marketing, has emerged. But often, rural marketing is confused with agricultural marketing - the latter denotes marketing of produce of the rural areas to the urban consumers or industrial consumers, whereas rural marketing involves delivering manufactured or processed inputs or services to rural producers or consumers.

What Makes Rural Markets Attractive?

Rural market has following attributes and the following facts substantiate this:

742 million people
Estimated annual size of the rural market -

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
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<tbody>
<tr>
<td>FMCG</td>
<td>Rs. 65,000 Crore</td>
</tr>
<tr>
<td>Durables</td>
<td>Rs. 5,000 Crore</td>
</tr>
<tr>
<td>Agri-Inputs (including tractors)</td>
<td>Rs. 45,000 Crore</td>
</tr>
<tr>
<td>2 / 4 Wheelers</td>
<td>Rs. 8,000 Crore</td>
</tr>
</tbody>
</table>

In 2001-02, LIC sold 55% of its policies in rural India.

Of two million BSNL mobile connections, 50% are in small towns / villages.

Of the 6.0 lakh villages, 5.22 lakh have a Village Public Telephone (VPT).

41 million Kisan Credit Cards have been issued (against 22 million credit-plus-debit cards in urban), with cumulative credit of Rs. 977 billion resulting in tremendous liquidity.

Of the 20 million Rediffmail sign-ups, 60% are from small towns. 50% of transactions from these towns are on Rediff online shopping site.

42 million rural households (HHs) are availing banking services in comparison to 27 million urban HHs.

Investment in formal savings instruments is 6.6 million HHs in rural and 6.7 million HHs in urban.

**Opportunities**

1. Infrastructure is improving rapidly -

In 50 years only, 40% villages have been connected by road, in next 10 years another 30% would be connected.

More than 90% villages are electrified, though only 44% rural homes have electric connections.

Rural telephone density has gone up by 300% in the last 10 years; every 1000+ pop is connected by STD.

Social indicators have improved a lot between 1981 and 2001 -

Number of "pucca" houses doubled from 22% to 41% and "kuccha" houses halved (41% to 23%).

Percentage of BPL families declined from 46% to 27%.

Rural literacy level improved from 36% to 59%.
Low penetration rates in rural areas, so there are many marketing opportunities -

### Durables

<table>
<thead>
<tr>
<th></th>
<th>Urban</th>
<th>Rural</th>
<th>Total (% of Rural HH)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTV</td>
<td>30.4</td>
<td>4.8</td>
<td>12.1</td>
</tr>
<tr>
<td>Refrigerator</td>
<td>33.5</td>
<td>3.5</td>
<td>12.0</td>
</tr>
</tbody>
</table>

### FMCGs

<table>
<thead>
<tr>
<th></th>
<th>Urban</th>
<th>Rural</th>
<th>Total (% of Rural HH)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shampoo</td>
<td>66.3</td>
<td>35.2</td>
<td>44.2</td>
</tr>
<tr>
<td>Toothpaste</td>
<td>82.2</td>
<td>44.9</td>
<td>55.6</td>
</tr>
</tbody>
</table>

Marketers can make effective use of the large available infrastructure -

- Post Offices: 1,38,000
- Haats (periodic markets): 42,000
- Melas (exhibitions): 25,000
- Mandis (agri markets): 7,000
- Public Distribution Shops: 3,80,000
- Bank Branches: 32,000

Proliferation of large format Rural Retail Stores, which have been successful also -

- DSCL Haryali Stores
- M & M Shubh Labh Stores
- TATA / Rallis Kisan Kendras
- Escorts Rural Stores
- Warnabazaar, Maharashtra (Annual Sale Rs. 40 crore)

Rural Consumer Insights

- **Rural India buys** -

Products more often (mostly weekly).

Buys small packs, low unit price more important than economy.
In rural India, brands rarely fight with each other; they just have to be present at the right place.

Many brands are building strong rural base without much advertising support.

Chik shampoo, second largest shampoo brand.

Ghadi detergent, third largest brand.

- Fewer brand choices in rural areas; number of FMCG brand in rural is half that of urban.
- Buy value for money, not cheap products.

Some Myths

Myth 1: Rural Market is a Homogeneous Mass
Reality: It's a heterogeneous population. Various Tiers are present depending on the incomes like Big Landlords; Traders; Small Farmers; Marginal Farmers: Labourers; Artisans. State wise variations in rural demographics are present viz. literacy (Kerala 90%, Bihar 44%) and population below poverty line (Orissa 48%, Punjab 6%).

Myth 2: Disposable Income is Low
Reality: Number of middle class HHs (annual income Rs. 45,000 - 2,15,000) for rural sector is 27.4 million as compared to the figure of 29.5 million for urban sector. Rural incomes CAGR was 10.95% compared to 10.74% in urban between 1970-71 and 1993-94.

Myth 3: Individuals Decide About Purchases
Reality: Decision making process is collective. Purchase process - influencer, decider, buyer, one who pays - can all be different. So marketers must address brand message at several levels. Rural youth brings brand knowledge to Households (HH).

Why Different Strategies?

Rural markets, as part of any economy, have untapped potential. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India is still in evolving shape, and the sector poses a variety of challenges. Distribution costs and non-availability of retail outlets are major problems faced by the marketers. The success of a brand in the Indian rural market is as unpredictable as rain. Many brands, which should have been successful, have failed miserably. This is because most firms try to extend marketing plans that they use in urban areas to the rural markets. The unique consumption patterns, tastes, needs of the rural consumers should be analyzed at the product planning stage so that they match the needs of the rural people.

Therefore, marketers need to understand the social dynamics and attitude variations within each village though nationally it follows a consistent pattern. The main problems in rural marketing are:

Understanding the Rural Consumer
Dynamics of rural markets differ from other market types, and similarly, rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer.

Strategies to be Followed

**Marketing Strategy**

Marketers need to understand the psyche of the rural consumers and then act accordingly. Rural marketing involves more intensive personal selling efforts compared to urban marketing. Firms should refrain from designing goods for the urban markets and subsequently pushing them in the rural areas. To effectively tap the rural market, a brand must associate it with the same things the rural folks do. This can be done by utilizing the various rural folk media to reach them in their own language and in large numbers so that the brand can be associated with the myriad rituals, celebrations, festivals, "melas", and other activities where they assemble.

**Distribution Strategy**

One of the ways could be using company delivery van which can serve two purposes - it can take the products to the customers in every nook and corner of the market, and it also enables the firm to establish direct contact with them, and thereby facilitate sales promotion.

However, only the bigwigs can adopt this channel. The companies with relatively fewer resources can go in for syndicated distribution where a tie-up between non-competitive marketers can be established to facilitate distribution. Annual "melas" organized are quite popular and provide a very good platform for distribution because people visit them to make several purchases.

According to the Indian Market Research Bureau, around 8000 such melas are held in rural India every year. Rural markets have the practice of fixing specific days in a week as Market Days (often called "Haats") when exchange of goods and services are carried out. This is another potential low cost distribution channel available to the marketers. Also, every region consisting of several villages is generally served by one satellite town (termed as "Mandis" or Agri-markets) where people prefer to go to buy their durable commodities. If marketing managers use these feeder towns, they will easily be able to cover a large section of the rural population.

**Promotional Strategy**

Firms must be very careful in choosing the vehicle to be used for communication. Only 16% of the rural population has access to a vernacular newspaper. So, the audio visuals must be planned to convey a right message to the rural folk. The rich, traditional media forms like folk dances, puppet
shows, etc., with which the rural consumers are familiar and comfortable, can be used for high impact product campaigns.

Some Live Examples

One very fine example can be quoted of Escorts where they focused on deeper penetration. They did not rely on TV or press advertisements, but rather concentrated on focused approach depending on geographical and market parameters like fares, melas, etc. Looking at the ‘kuchha’ roads of village, they positioned their bike as tough vehicle. Their advertisements showed Dharmendra riding Escort with the punch line ‘Jandar Sawari, Shandar Sawari’. Thus, they achieved whopping sales of 95000 vehicles annually.

HLL started ‘Operation Bharat’ to tap the rural markets. Under this operation, it passed out low-priced sample packets of its toothpaste, fairness cream, Clinic plus shampoo, and Ponds cream to twenty million households.

ITC is setting up e-Choupals, which offers the farmers all the information, products and services they need to enhance farm productivity, improve farm-gate price realization and cut transaction costs. Farmers can access latest local and global information on weather, scientific farming practices as well as market prices at the village itself through this web portal - all in Hindi. It also facilitates supply of high quality farm inputs as well as purchase of commodities at their doorstep.

BPCL introduced Rural Marketing Vehicle (RMV) as their strategy for rural marketing. It moves from village to village and fills cylinders on the spot for the rural customers. BPCL considered low-income of rural population, and therefore introduced a smaller size cylinder to reduce both the initial deposit cost as well as the recurring refill cost.

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.

Concluded.

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