



UNDERSTANDING THE RURAL MARKETING MIX-ISSUES AND CONCERNS

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ABSTRACT

The rural markets in Indian have always been an issue of study as a separated field altogether, the wide spread use to mobile communication, increasing education level, incremental increase in income and various government initiatives have given rise to a well informed and demanding class unique to the rural markets, this paper aims to analyze and suggest a marketing mix exclusive to be used in this market segment.

KEY WORDS: Consumption pattern, Action Plan, Strategies, Challenges

INTRODUCTION

World's second largest country, India, has more than 617 million people, i.e. 74.3%, of India's population living in rural areas, widely distributed over 6,30,000 villages. As per data from NCAER (National Council for Applied Economic Research), 75% of certain products' all India sales comes from rural India.¹ The FMCG's rural market share is 53% and that of consumer goods is 59%. Rural markets also account for between 50 to 75% of black and white TVs, pressure cookers, table fans and sewing machines. Unfortunately, this gigantic market is being addressed with the urban oriented communication. Truly, the conventional wisdom of urban marketing mix is not going to work in rural market. Marketers need innovative alternatives to woo the rural consumers. We propose that a revamped rural marketing mix can bring in a bonanza for the organizations. Various assumptions such as people with low income have little to spend on goods and services, along with other barriers such as -corruption, illiteracy, inadequate infrastructure, red-tapism - have been hindering in the development of such regions. The fact that change in political reforms, growing openness in investments, low-cost wireless communications have reduced such barriers to some extent and the organizations have greater access to the poor slums and rural areas. The assumption that poor have no money may sound obvious on the surface, but the truth is that though the individual income is low but the aggregate buying power is very high. Various factors that have contributed to the rise in rural demand are:-

- New methods of rural advertising
- Increase in the procurement prices
- Several years of good monsoon
- Growth in communication medium (wireless, satellite and TV network)
- Growth in income of rural consumers
- Infrastructural developments – roads, banks and electrification
- Increased competition in the urban market induced tapping of rural markets.

Rural consumption pattern: An insight

Rural consumers' consumption pattern have undergone a sea change over few decades. It appears that at **first stage** the products consumed in urban markets slipped into rural market due to their untapped potential in rural areas. Their urge to duplicate their urban counterparts motivated them to try out products promoted in urban markets. It was quite obvious that distributors of several FMCGs and durables were also catering to the rural demand on their own. Even in the absence of any attempts by marketers to reach out specifically to the hinterland, products trickled down.

In the **second stage**, realizing this, companies also started expanding their official distribution network to tap the latent rural demand for their products. **Saturation in urban markets** added to the rural push by aggressive marketers such as HLL and ITC, who initiated their own rural distribution networks.² Along with this better understanding of the rural milieu became imperative to appreciate the local nuances. Therefore, extensive successful experimentation with pricing and promotion started to enhance demand level. Low income levels were a major issue, so the marketers began experimenting with packaging. The sachets that offered lesser quantities of products at reduced prices, revolutionized the rural scenario. All of a sudden, rural customers could try out branded products at price points ranging from fifty paise to two rupees. Ease of displaying sachets in their shops helped rural retailers to stock relatively more product categories and even more brands within each product category. Improvised infrastructure added to the importance of local advertising so locally highly relevant media options were explored. This phase saw the emergence of wall paintings, folk theatre, mobile vans running commercials, magic shows, folk-dance and drama, etc as advertising media. The new media took care of the limited reach of mass media such as print and electronic channels.³ *Haats* and *melas* along with periodic local bazaars, began to take care of sales, promotions and advertising. The **third stage**, current times, is peeping more into customization. Therefore innovative attempts are being made to customize products/services within the view of rural conditions. Scaling down the features of products & developing completely new products to suit

the rural conditions, helped marketers by creating the a support system which undertakes the job and execute their plans well. Thus resulting in-turn in employment generation and developing small enterprises at rural level.

Need for Refocused and Customized Rural Marketing Mix

A radical change in the attitude of marketer towards vibrant and burgeoning rural market is needed to impress rural consumers . Marketers have to adopt strategy that appeals individually and accordingly formulate their annual plans and sales target. Product, Price, Place and Promotion constitute the 4Ps of marketing mix⁴. The strategic decisions taken by marketers on these elements of the marketing mix decide the commercial fate of the brands involved. Changes must be made keeping in mind patterns, tastes and need of the rural customers. Strength of the rural marketing lies in 4 A's- Affordability, awareness, acceptability and availability.

Promotion

The major difference between urban and rural markets is of under-developed communications. Word-of-mouth, puppetry, radio, melas, folk theaters are few rural medias as compared to TV and print media promotions for urban markets. Language diversification is also a common problem with masses as it changes with states, places and districts. Marketers and advertisers are quite familiar with the media options to be used, if they were to focus on the urban markets.⁵ Mass media vehicles such as radio, print, hoardings and TV are very effective. Even newer media such as cellphones and ATMs are being leveraged of late. However, when it comes to the rural markets, the reach of mass media is very limited. Even where the reach is better, the choice within each medium is not very high. Moreover, the comfort level in using these to communicate effectively is not there. Altering the media mix to adapt with local relevance is an important step.

- Brightly painted walls near the village bus stop, cinema hall, banks, post offices, big retail outlets or panchayat office, generated lot of visibility among the rural audience.
- Common well & Borewell pumps, where available, can also be used to paste stickers to promote brands.
- Puppetry, dance and drama, with a storyline can have brand message sneaked in.
- Magic shows projected brand features.
- Demonstrations were used as good promotional tools.
- Periodic Rotational markets offered base for promotion of products with poor distribution network.. Degree of awareness is more and widely spread in them.
- Rural consumers respond more to audio-visual demos as compared to vernacular newspapers.
- Self Help Groups and NGO's can be used as a medium for awareness

A SNAP SHOT AT PRICE CUSTOMIZATION

A case of adopting railway station by Titan during "Kumbha Mela" helped them generate high brand recall as at arrival of each train the announcement was made "Welcome to Sonata- Naini"

Pioneering Advertising can thus create more awareness among rural customers.

Pricing

Affordability is a major issue in rural markets, relative to urban markets, due to several factors. Agriculture constitutes the mainstay of Indian rural economy. Marginal farmers, whose landholding size is small and use of efficient farming practices limited account for the bulk of Indian farmers. As a result, the farm income is not very high. By its very nature, agriculture delivers cash to the framers only when the crops are harvested. In other words, income to farmers is sporadic – twice or thrice a year. Rural agri - income is its uncertain as agricultural output is heavily dependent on rainfall⁶. Uncertainty and less income has a direct bearing on marketers and thus finally on purchasing power. But it does not go un-noticed that cost of living is low as they are not spending major income on housing and food . Hence their available disposable income is high. They would like to invest in life style products, so the marketers have to identify the affordable price points of their products .

- Marketers of durables, reduced their price by stripping them of fancy features and thus reduce their price for the rural customers.
- FMCG marketers' packaging innovations came in handy to introduce attractive price points for customers. Such as sachets, squeeze tubes , pillow packs of Beverages, shampoos, toothpastes, hair oils, edible oils, pickles, etc were available from 25 paise to two rupees .
- Reduced unit size of various products ,reduced the prices.

Lower unit pack sizes, packaging innovations and offering basic, functional products at reduced prices characterized the pricing customization by Indian marketers for the rural markets.

A SNAP SHOT AT PRICE CUSTOMIZATION

As in case of **erstwhile HLL's candy** (a high quality sugar& fruit confectionery) which was launched at a penny's cost soon became the fastest growing category in the company's portfolio.

Place/ Distribution

The urban-rural divide in terms of infrastructure is striking. Fifty percent of villages with population less than 1,000 are yet to be connected by proper roads. Forty percent of villages lack all-weather roads. Given this state of affairs, it is not surprising that development appears to be skewed, and rural connectivity is still an issue. For marketers looking to tap the rural markets, accessibility to these areas is a huge challenge⁷. Both reaching out to the hinterland and doing so at a viable cost are question marks. Marketers' job here is to.

- **Identify the feeder towns** and provide them with maximum support as each feeder town is further connected to 30 to 60 villages. They would ensure faster availability of products/services.
- **Haats and Mandi** are used not only for promotion and education purposes but also for sales.
- **Agri-based networks** such s Hariyaali Kisaan bazaar (a DCM Sriram Set up) facilitate agri inputsas fertilizers, equipments, seeds, animal feed

- **NGOs and SHGs** can facilitate distribution, information dissemination and employment generation at the same time.

A SNAP SHOT AT PLACE CUSTOMIZATION

ITC's e-Choupals. ITC's agribusiness division has established 970 Kiosks serving more than 6 lacs of farmers in over 5000 villages across India with soy, coffee, wheat and other products and services such as weather information and best farming practices. Their e-procurement has helped the farmers to earn more and reduce handling by eliminating intermediaries that are redundant and profit eaters. ITC also leverages the e-Choupal extensively as a distribution point. An article on rural retailing mentions, "ITC first pushed its own products, like salt, into the hinterland, and then invited others like Parachute and Philips to ride on this distribution chain. ICICI Prudential has tied-up with ITC to use e-Choupal for its insurance policies⁸.

Triveni Khushali Bazaar, a rural agri-inputs store run by Triveni Engineering & Industries Ltd in the sugarcane belt of Uttar Pradesh, is also used to sell cement and FMCG products.

Bancassurance in the rural context is being implemented vigorously, as insurance firms try to catch up with the rural commitments mandated by IRDA.

Max New York Life has eleven bancassurance tieups with regional rural banks (RRBs).

Hindustan Unilever's Project Shakti best exemplifies this. Through state governments, and NGOs involved in microfinance, women entrepreneurs in villages are identified to act as local distribution and sales points for Unilever's products. About 25,000 *Shaktiammas*, as these women entrepreneurs are called, operate in fifteen states. Indirectly, the SHGs and NGOs who identify the *Shaktiammas*, play the role of distribution partners of HUL.⁹

Aggregated demand and networked customers is the answer as in case of **GYANDOOT** in district Dhar of MP have brought together more than 600 big and small villages under the umbrella of 39 kiosks that provide governmental, educational, telecom –internet services along with others to local entrepreneurs. There are various avenues untouched such as ordering fertilizers, seeds and pesticides and advices on crop management that can provide sales and customer loyalty.

Product

Rural affordability, i.e. pricing, led to customization of the final 'P' of the marketing mix – the product. This is the most innovative customization, as it revealed a very professional approach to serving the rural markets – by developing products keeping their needs and environment in focus. Working backwards from the price for rural customers, research developed products exclusively for them. Reduction in price resulted in new packaging innovations and trimming down of product's fancy features used very limitedly¹⁰.

A SNAP SHOT AT PRODUCT CUSTOMIZATION

LG developed a TV in late 1990s with on-screen displays in Indian languages such as Hindi, Bengali, Tamil and Marathi. Under the name, *Sampoorna*, predominantly for the rural markets, priced Rs 2,000-3,000 lesser than

competitive national TV brands. As an extension of *Sampoorna*, an entry level CTV called *CinePlus* was launched for rural markets, priced attractively at Rs 5,000.

Philips too developed a TV sub-brand *Vardaan*, exclusively for the rural markets. This TV could withstand voltage range of 90-270 volts. Voltage fluctuations are quite common in rural electricity supply and *Vardaan* was designed to overcome this challenge.¹¹

As a marketer of radio sets that run on batteries and electricity, Philips was well aware with un-availability of electricity of this issue. Undertaking research to develop products that do not need conventional energy sources, **Philips** developed *Free Power Radio*, a radio set that does not need batteries or electricity. It runs on simple winding of a lever provided in the set. The price – a attractive Rs 995 per set.

Ion Exchange designed water-purifying attachments to the pumps to remove fluoride content from hand pumps that do not need electricity to run.

Nokia developed affordable cell phones for rural markets, with unique features such as local language capability, preset time/cost limits on calls, etc

ICICI Bank and Dena Bank have customized their rural ATMs operable on biometric authentication. **Asaan**, (**ICICI Bank's rural ATMs**) are battery operated so that power failure is not an issue and they even accept soiled currency notes. **Dena Bank's ATMs** have voice instructions for rural users.

BP Energy sells smokeless, **biomass run stoves (Oorja)** for rural markets, priced attractively at Rs 675.

Bank of India introduced *Bhumiheen Credit Card* for providing credit facilities to landless farmers. For farmers sponsored by NGOs and SHGs, the scheme includes consumption loans of Rs 1000 and a credit limit of Rs 25,000.

CHALLENGES IN RURAL MARKETING

Marketing in rural areas is a daunting task and one faces challenges at various fronts

- Poor infrastructure poses difficulty in distribution, accessibility
- Lower income, education and information
- Unorganized retail format.
- Different consumer behavior and perception
- Various Myths such as- being homogeneous, lower consumption of lifestyle products and individual purchase decision making.

ACTION PLAN AND STRATEGIES

Segmentation becomes extremely important to know which are the rural markets that can be targeted with a particular model or product.

Customization in promotion, distribution and pricing have to be expanded to the rural market base.

Innovative techniques in rural marketing mix can provide avenues for more profit and rural upliftment. The following areas offer potential to fine tune the rural thrust further by marketers

- The spreading digital cinema theatres can be used to beam down customized messages in rural cinema halls.

Rural marketing mix: issues and concerns

- The packaging can be customized where that the brand label is in the local language.
- New launches only with brand names easily accepted in almost all geographic pockets LG's *Sampoorna*, for example, gets easily registered as little variations of the word exist in almost all Indian languages.
- Washing machines can be developed to run on solar energy.
- Kerosene-run refrigerators/ heaters.
- Solar pressure cookers
- Using the post office network in rural areas for displaying pre-stamped insurance enquiries
- Allowing irregular insurance premium payments within a year, without late fee, in line with irregular income patterns in rural areas
- Use of the countrywide network of primary health centers to promote health insurance
- Tying up with microfinance groups, NGOs and SHGs for collection of EMIs on purchase of durables by their members on hire purchase schemes
- Using the cheapest form of postal communication, the post card, for commercial messages
- Leveraging the network of rural petrol pumps for selling products.

ACTION PLAN FOR THE APPROACH

- Creativity
- Change in attitudes and practice
- Formal training and exposure of rural market
- Engagement of locals in organizational activities and vice-versa
- Provide business & technical support :- help in creating investments and partnering opportunities

A special group has also suggested restructuring in the following sectors in favour of labour intensive activity for generating additional gainful job opportunities for the Tenth Plan.

- Agriculture & allied sectors.
- Greening the country through Agro Forestry
- Energy Plantation for Biomass power Generation.
- Rural Sectors and Small and medium enterprises (SMEs).
- Education and Literacy.
- Employment through ICT Development.
- Health, Family and Child Welfare.

SOME EXAMPLES HIGHLIGHTING THESE REQUIRED CHANGES ARE

Court: Indian government launched its first mobile court - an air-conditioned bus that travels to far-flung villages in order to bring justice to villagers doors. A judge follows the bus in an air-conditioned sport-utility vehicle¹².

1. **Hospital** "Smile on Wheels" is the mobile hospital project of 'Smile Foundation'. Under this program, five vans equipped with X-ray machine, ECG machine, basic pathological services for blood and urine test, ante-natal and post-natal services and an out-patient department for common ailments travel on

the roads of states (UT, CG, MH, OR, UP) covering 750000 population.

2. **Science Train** The Science Express - a mobile science exhibition on a train that showcases current and futuristic research in various areas, including information technology, biotechnology, health technology and systems, technology of materials and space and is aimed at inspiring young people to pursue scientific research. Reception of this service was amazing.
3. **Automobile Spare parts:** Satyam has created a mobile auto showroom cum service center, which can be taken door-to-door in a Bus, called Edow. This bus will be equipped with everything an auto dealer needs, a display area, a workshop, a sales office and systems, hi-tech display systems and high speed connectivity. It expects demand of 40,000 for such buses in India¹³.
4. **PCO** (manned pay-phone service): Idea Cellular Ltd has launched an unique Shared Access (Voice & Data) PCO for Rural India. Rural entrepreneurs can sell airtime on their mobile phones to people in the community wishing to make a call or send a text message.¹⁴ This innovative approach allows entrepreneur to set up a payphone business for just the cost of a handset. Specially devised software with a printer will be developed to enable the owner of the mobile handset to provide a bill if required to the customer making the call. Call charges are also displayed on the handset to ensure transparency in the transaction. Additionally, Idea will offer shared Internet access in these rural communities to provide an even broader range of data services.
5. **Female on move to sell FMCG products:** Shakthi is, a very innovative program of Uniliver, for distribution of FMCG goods to Rural population. Uniliver trains rural women in order to improve their selling skills and turns them as Uniliver's saleswomen¹⁵.
6. **Micro-business school:** Mann Deshi Udyogini is, a Micro-business school on a mini bus, to solve the skill shortage among entrepreneurial rural women. Courses do not have any pre-qualification criteria and the curriculum is entirely driven by the needs of rural women. Courses range between one week and three months in duration and course fees start from as little as Rs. 25 (less than a dollar). Courses focus on technical skills, marketing skills, managing finances and confidence-building. Courses to develop technical skills, such as goat rearing, screen printing, selling cell phone recharge coupons, bag-making etc are being offered currently. Certificates and graduation diplomas are issued on completion of these courses which can be used to obtain micro credit¹⁶.
7. **Retail stores:** 3A Bazaar is India's first mobile retail company running on vans. These vans carry goods worth 2-2.5 lakhs of rupees everyday from a storehouse to about 700 villages. However, most of the villages are visited weekly or fortnightly or monthly.¹⁷ This fits with the irregularity of incomes of villagers and the mobility eliminates the drawbacks of a static rural retail shop. The daily average sales are in the range of 8-10 thousand rupees.

8. **Tools on a Truck:** 'Bosch Vaahan' is a mini-bus which carries sophisticated Power Tools to rural areas. A wide range of woodworking, construction and metalworking tools catering to the needs of rural carpenters, metalworking artisans, plumbers etc are carried by the 'vaahan', which visits different villages¹⁸. Product demonstrations and information sessions are conducted by the 'vaahan' officials in rural areas. Rural artisans can try out these tools for their work. The tools are available for purchase to rural artisans at subsidized prices. Bosch has tied up with several banks, including Canara Bank and Andhra Bank, to offer attractive loan schemes for the rural folk to buy these tools.

CONCLUSION

The journey of marketers through the rural markets has indeed been one full of hurdles one after another. These include the 4As – availability, affordability, acceptance and awareness. For overcoming these adaptation to the rural atmosphere, along with all elements of the 4Ps of the marketing mix – promotion, pricing, place and product, continually is the solution. Evolution of a supporting ecosystem in the twenty first century provides several opportunities for serious marketers. Continuous focused customization, with inputs from all stakeholders, seems to be the right approach to provide for both short- and long-term returns in the rural markets.

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